Clearing up

Banks take the risk out of settlement

Page 13

Algerian tangle

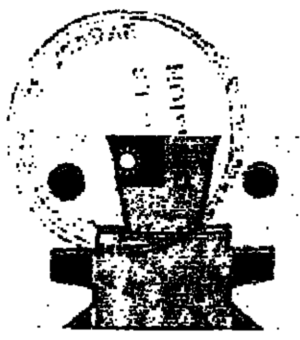
French gamble may not pay off

Page 12

Humans v robots

How Toyota keeps a balance

Page 10



Taiwan and China

Once again on speaking terms

Page 4

FINANCIAL TIMES

Europe's Business Newspaper

TUESDAY AUGUST 9 1994

D8523A

Royal Oak raises offer to C$2.4bn in fight for Lac

Royal Oak Mines, Vancouver-based gold producer, lifted its bid for Lac Minerals, the much larger Canadian mining group, by about 14 per cent to C$2.4bn (US$1.73bn). The latest offer substantially raises the amount of cash available to Lac shareholders. Analysts predicted that American Barrick, which has submitted a rival C$2.2bn bid, would sweeten its package, or that other offers would surface. Page 15

Wallenberg raises stake in SE-Banken: Sweden's Wallenberg group has sharply tightened its grip on Skandinaviska Enskilda Banken, the country's largest commercial bank, after buying nearly 20m A shares worth almost SKr1bn ($129m). Page 15

Peru president's wife may oppose him

Susana Higuchi (left), wife of Peruvian president Alberto Fujimori, said she might stand against him as a presidential candidate and has complained to the attorney-general that legislation prohibiting the president's close relatives from running for office is unconstitutional. Page 14

Charge puts Sara Lee in the red: International food and personal products company Sara Lee suffered a net fourth-quarter loss of $309m after a previously announced $495m restructuring charge to trim costs in its hosiery division. Page 17

Sharp fall in coffee prices: Coffee futures in New York lost nearly 11 per cent in late trading as investment funds and other speculative players pulled out. Commodities, Page 22

NKK to transfer jobs: Lossmaking Japanese steelmaker NKK said it would shed 1,300 jobs by transferring staff to affiliates or customers. Page 4

BA's 40% rise leaves City unimpressed: British Airways reported a 40 per cent increase in first quarter pre-tax profits to £88m. Although in line with expectations, they did not match the more bullish forecasts of more than £90m pre-tax and BA shares fell 12p to close at 417p. Page 15; Lex, Page 14

India's trade gap narrows: India's exports grew 9.5 per cent to reach $5.6bn in the first three months of the fiscal year and the country's trade balance for the period fell to $197.94m from $301.49m, the commerce ministry reported. Page 4

Record results from US stores group: US stores group May Department Stores reported second quarter net income up 11 per cent to $130m and said sales and earnings reached record highs in the six months to July. The group plans to open more stores. Page 17

Charter stands by Esab bid: UK industrial group Charter said it stood by its bid for Esab in spite of a further rise in the Swedish welding group's shares above the offer price following a sharp upgrade in the company's profits forecast. Page 15

Boeing in $600m Chinese deal: Boeing signed its biggest manufacturing agreement with a Chinese company with a contract worth about $600m for the Xian Aircraft Company to supply aft sections for Boeing's 737 twin-engine airliners. Page 3

Claims for business failures fall: UK trade credit insurance company Trade Indemnity demonstrated the impact of an improving economy as gross claims against policies fell by 43 per cent in the first half of the year. Page 20

Two navy ships protect trawlers: Two Royal Navy ships will be in place in the Bay of Biscay later today to protect Cornish fishing vessels from further attacks by Spanish fishermen angry at their use of driftnets to catch tuna. Page 7

Smith & Nephew sells lossmaker: Healthcare products maker Smith & Nephew sold its worst performing business, Ioptex, which makes eye implants, for £11m ($17m) – about £150m less than it paid for it in 1988. Page 16; Lex, Page 14

Saatchi & Saatchi beat forecasts: Advertising group Saatchi & Saatchi announced higher than expected interim pre-tax profits of £15.3m ($23.7m), up 68 per cent on the previous year. Chief executive Charlie Scott said the volume and quality of new business this year was the best since he joined the group in 1990. Page 16

STOCK MARKET INDICES

FT-SE 100:	3,171.9	(+4.4)
Yield	3.95	
FT-SE Eurotrack 100	1,498.19	(+3.07)
FT-SE-A All-Share	1,587.71	(+0.2%)
Nikkei	20,635.83	(+114.13)
New York: lunchtime		
Dow Jones Ind Ave	3,754.46	(+7.44)
S&P Composite	457.75	(+0.66)

US LUNCHTIME RATES

Federal Funds:	4½%
3-mo Treas Bills: Yld	4.54%
Long Bond	85⅜
Yield	7.514

LONDON MONEY

3-mo Interbank	5⅞%	(same)
Liffe long gilt future:	Sep 102¾	(Sep102⅝)

NORTH SEA OIL (Argus)

Brent 15-day (Sept)	$18.11	(17.89)

Gold

New York Comex (Dec)	$382.3	(382.9)
London	$378.0	(378.5)

STERLING

New York lunchtime:		
$	1.5385	
London:		
$	1.542	(1.5415)
DM	2.438	(2.4389)
FFr	8.3473	(8.3449)
SFr	2.056	(2.0574)
Y	156.274	(154.895)
£ Index	79.5	(79.4)

DOLLAR

New York lunchtime:		
DM	1.58425	
FFr	5.424	
SFr	1.337	
Y	101.68	
London:		
DM	1.5811	(1.5822)
FFr	5.4133	(5.4136)
SFr	1.3334	(1.3347)
Y	101.345	(100.485)
$ Index	63.6	(same)
Tokyo Close Y 100.44		

Austria	Sch32	Greece	Dr350	Lux	LFr65	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$18	Malta	Lm0.60	S.Arabia	SR11
Belgium	BFr65	Hungary	Ft185	Morocco	MDh15	Singapore	S$4.30
Bulgaria	Lv60.00	Iceland	IKr215	Neth	Fl 4.00	Slovak Rp	KSL50
Cyprus	C£1.10	India	Rs60	Nigeria	Naira50	South Africa	R12.00
Czech Rp	CZK50	Israel	Shk5.90	Norway	NKr17.00	Spain	Pta225
Denmark	DKr16	Italy	L3000	Oman	OR1.50	Sweden	SKr16
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Switz	SFr3.30
Finland	FM14	Jordan	JD1.50	Philippines	Pso50	Syria	S£50.00
France	FFr9.50	Kuwait	Fils.625	Poland	Zl32,000	Tunisia	Din1.500
Germany	DM3.50	Lebanon	US$1.50	Portugal(mainland) Esc225		Turkey	L30000
						UAE	Dh12.00

López spreads his gospel to the adjustable desk

By Christopher Parkes in Frankfurt

Putting Volkswagen back on its feet is not most people's idea of a part-time job, but the motor group's second-in-command, Mr José Ignacio López de Arriortúa, has found time enough for a spot of freelancing in the furniture trade.

For the past six months he has been helping fit a new set of legs to Flötotto, a small private company manufacturing office and school furniture. In October, VW's production director will make a personal appearance at a Cologne trade fair where he will share the limelight with the Gütersloh company's latest product: a desk.

No ordinary desk, it is being touted as an adjustable work station, developed, designed and manufactured according to the gospel of lean production and continuous improvement so vigorously promulgated by Mr López since his stormy arrival in Germany from General Motors in March 1993.

His involvement followed extensive consultations with Japanese and other experts in modern manufacturing techniques by company owner, Mr Reinhard Flötotto.

According to his spokesman, Mr Flötotto needed someone who would support management in pushing through changes necessary to counter the effects of recession and structural crisis which had knocked up to 40 per cent off earnings in the office furniture sector.

Mr Flötotto, he said, had no qualms about approaching Germany's unofficial Archbishop of the Church of Continuous Improvement Processes, and signing him up for a "co-operation agreement".

Since then the controversial Basque has worked in his spare time – on undisclosed terms – as patron of and participant in the Flötotto project. Even his daughter, Maite, a trained industrial designer, has joined in briefly.

Mr López, who disdains sitting at his work station to do his day job at VW, preferring to stalk the factory floor, has contributed by participating in a series of workshops and discussions.

According to Flötotto, throughput times on the company's production lines have been slashed from a week to 45 minutes for some products.

The application of just-in-time and lean production principles have allowed the company to dispense with its main stock-holding warehouse, which is now earning Mr Flötotto almost DM1m ($600,000) a year in rent.

Mr López's appearance at the October launch will earn the new desk – and Mr López – a wealth of publicity.

According to Volkswagen, his extra-curricular involvement was compatible with the group's endorsement of continuous improvement as a cure for many of the ills throughout German industry.

The arrangement was private. There was no question of his not having enough to do at VW, a spokesman said. "He has simply got an enormous amount of energy."

Brussels plan may lead to higher prices for car parts

Commission plans to unify rules on design protection

By Emma Tucker in Brussels

European car owners may be forced to pay higher prices for spare parts and banned from shopping around for better deals under European Commission proposals to harmonise rules governing the legal protection of industrial design.

The Commission's plans will insist that certain car body parts be legally protected for the first three years after a car is launched, giving the manufacturers the exclusive right to supply spares during that period.

Consumers and independent suppliers fear the proposals will stifle competition and allow car manufacturers to charge what they wish for windscreens, panels, headlamps and other parts.

The UK currently has a completely free market in the supply of spare parts for repairs. This contrasts sharply with countries such as France, which uses copyright law to protect car makers from the competition of independent suppliers.

The Commission, under pressure from powerful carmakers on one side, and consumer groups and independent suppliers on the other, has come up with the three-year compromise as part of a wider initiative to harmonise rules covering the protection of industrial design. These rules currently differ greatly across the 12 member states.

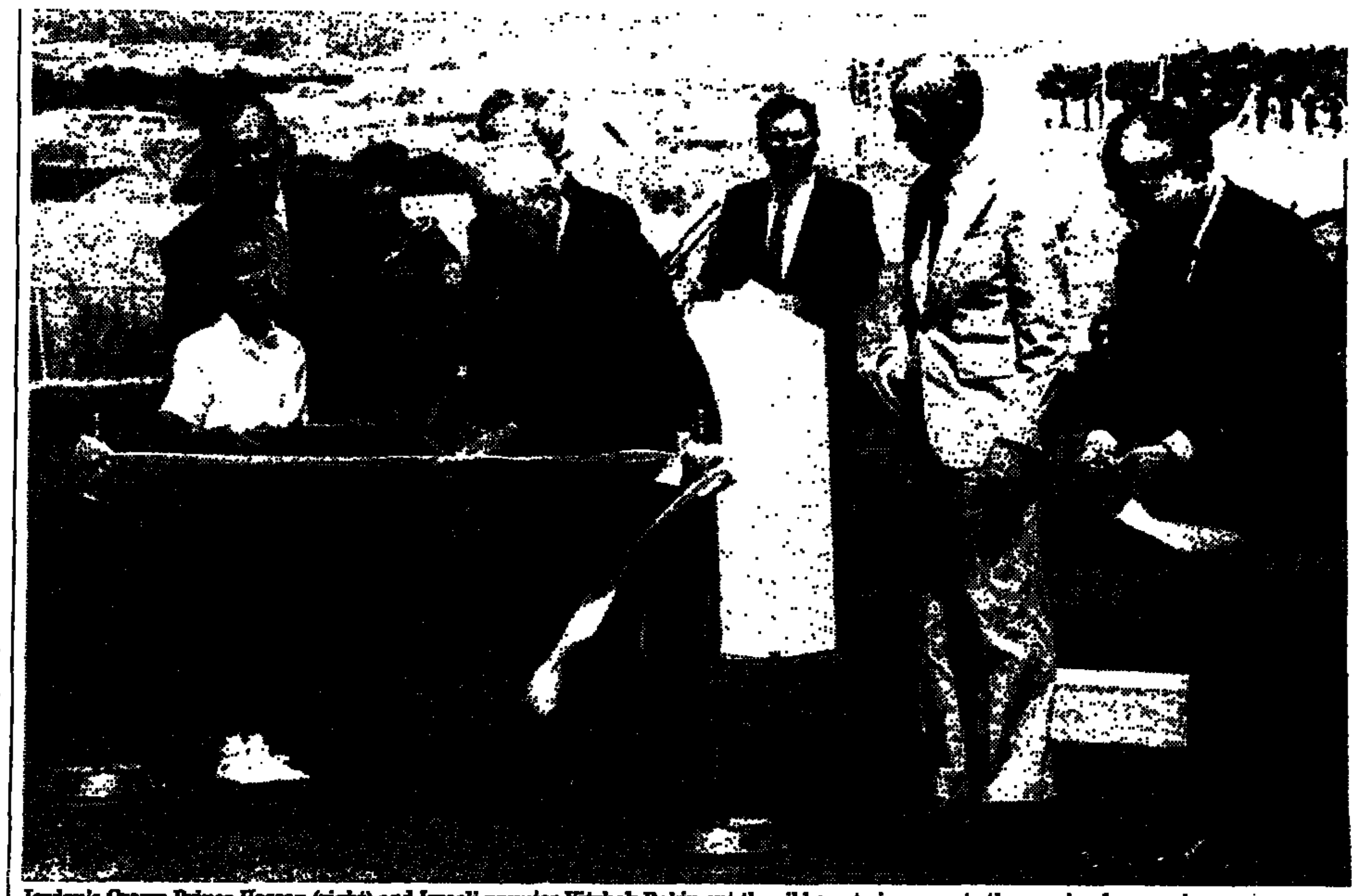
In the proposals, the Commission argues that many car parts, such as windscreens, are unlikely to qualify for legal protection according to strict rules defining design and that consumer groups are overestimating the costs of such protection.

No final decision has been taken on the Commission's proposals. They are being scrutinised by the working group of the Council of Ministers and have yet to be debated by the European Parliament.

However, independent suppliers believe manufacturers could use the three-year ruling to create a monopoly in the supply of spare parts.

"Without a repair right, the availability of spare parts would decrease, the price of spare parts would increase, and the very existence of the European independent spare parts industry

Continued on Page 14
Toyota helps to ease the daily grind, Page 10



Jordan's Crown Prince Hassan (right) and Israeli premier Yitzhak Rabin cut the ribbons to inaugurate the new border crossing Reuter

Minefield offers route to Jordan

Israel and Jordan changed the road map of the Middle East yesterday, opening a border crossing on a former minefield and inaugurating what Jordan's Crown Prince Hassan described as "a commonwealth of shared human interests" that would do away with regional poverty and injustice, Julian Ozanne reports from the Israel-Jordan border.

The crown prince, with Mr Yitzhak Rabin, Israeli prime minister, and US secretary of state Warren Christopher all emphasised the border opening would pave the way to a tourism boom, business and commercial contacts and economic co-operation and development. Mr Rabin later crossed into Jordan for an unprecedented summit with King Hussein at his winter palace in Aqaba, the first time an Israeli prime minister has publicly set foot on Jordanian soil since the creation of the Jewish state in 1948.

The king then took Mr Rabin for an afternoon cruise on the royal yacht across the Red Sea dividing their countries.

"Three weeks ago the dream of peace was far away," Mr Rabin said shortly before he and Prince Hassan cut the white ribbon opening the new border 3km north of the Red Sea ports of Aqaba in Jordan and Eilat in Israel. "Today it is materialising: telephone lines, tourism. Soon it will seem as though this is the way it has always been." The prince said the border was the beginning of regional transport networks and a token of Israel's and Jordan's desire for material economic links. "Let the opening of this border gate in this particular location mark the foundation stone on which we intend to build our common future," he said. Mr Christopher said the two nations were "weaving together the fabric of human contact and mutual interest that are the

Continued on Page 14

Bank's verbal error in bid battle costs its client £4m

By Simon Davies and Norma Cohen in London

Great Southern falls to SCI .... Page 19
Lex .... Page 14

A technical slip by Schroders, one of London's leading merchant banks, is to result in an unprecedented £4m ($6m) compensation payment to investors who sold shares in a takeover target on the basis of a misleading announcement.

The financial adviser's mistake – the failure to include a standard phrase in a statement to the London Stock Exchange – was described yesterday by one adviser involved in the bid as "like leaving a full stop off the end of a sentence".

It could have spelled failure for a bid by Schroders' client, the US funeral group Service Corporation International, but the Takeover Panel – London's self-regulatory body for bids – yesterday provisionally forgave the lapse as an "innocent mistake".

As a result, SCI made a third offer for Great Southern, which finally got the backing of the controlling shareholders of the UK funeral company. The new bid, at 775p per ordinary share, values Great Southern at £112.9m.

The Panel tomorrow morning will hear an appeal against its provisional decision to allow the new offer to proceed.

The error appeared in Schroders' statement to the Stock Exchange last Tuesday, when it announced that SCI had made a "final offer" of 680p, but failed to list the standard exception that the bid could be revised if another bidder emerged.

The full offer document issued the following day included the standard contingency clause. In the intervening period, however, SCI bought close to 27 per cent of Great Southern's enlarged share capital in the market, and a potential competing bidder had arrived on the scene.

One neutral merchant banker said yesterday, "You may be able to change the terms of a final offer but you have to specifically say so at the time."

SCI has therefore agreed to pay the difference between the two offers to all investors who sold shares last Tuesday and Wednesday. The refund will amount to 95p per ordinary share and 38p per convertible share. The bulk of sales were made to SCI, and the compensation on those sales would amount to about £3.73m.

Mr David Challen, Schroders' group director of corporate finance, said: "The issue of where the cost of this falls is simply not one which has at this stage been discussed", but he admitted the possibility that some compensation might be paid to SCI. Schroders claimed the mistake was the joint responsibility of the entire advisory team, which included Smith & Williamson Securities and lawyers Linklaters & Paines.

Baring Brothers is appealing against SCI's increased bid on behalf of Loewen Group, a Canadian funeral operator which emerged last week as a potential "white knight" bidder for Great Southern.

SCI, which is the world's largest private burial company, made its first offer for Great Southern at 600p a share. The original offer was rejected by the Field family, who controlled 56 per cent of the company's ordinary shares. Yesterday, however, the Fields accepted the higher terms.

CONTENTS

 No 32,440 Week No 32 LONDON · PARIS · FRANKFURT · NEW YORK · TOKYO

Italian rail deal raises wage cost fears

By Andrew Hill in Milan

Mr Publio Fiori, Italy's transport minister, has again stirred up controversy by intervening to avoid industrial action by a maverick transport union, at the risk of provoking increased salary demands from other employees.

Mr Fiori struck an informal deal on bonus pay with Comu, the Italian train drivers' union, at the end of last week, averting a strike which threatened to disrupt rail traffic on the busiest holiday weekend.

The accord provoked a sharp reaction from Italy's larger unions, and has raised fears that it will be difficult to rein in labour costs as the government's economic team has demanded when the Ferrovie dello Stato, the state-owned company which runs the railway system, begins formal negotiations with its 140,000 employees in September.

Last month, Mr Fiori waded into the dispute between Alitalia, the state airline, and cabin staff, by announcing an inquiry into the failure of the company's management to foresee wildcat strike action by a small breakaway union. An accord was eventually reached on radical restructuring plans in spite of Mr Fiori's intervention, which management feared would undermine their efforts.

In the wake of the Comu deal, stationmasters have called strikes for August 21 and September 10. The FS has estimated the cost of the informal deal at L70bn (£29m) for the 20,000 train drivers, rising to nearly L400bn if the company is forced to concede similar bonuses to other staff.

The FS yesterday refused official comment, pointing out merely that Mr Fiori's intervention was "anomalous" given the FS's shareholder was not the Transport Ministry, but the Treasury – which, under Mr Lamberto Dini, had been pushing for a strict line on wage negotiations.

Mr Fiori, a member of the far right coalition member, the National Alliance, said last week that the agreement with Comu would "commit" the FS to pay the bonus to the drivers from October 1994. The FS believes the accord is not legally binding, but is still worried about the political precedent which has been set. Doubt has also been cast on the necessity for such concessions. The state railway claims earlier industrial action by the union affected less than half of rail services, with inter-city services running normally.

Leaders of the main union federations have also criticised the deal, pointing out that their members can hardly be expected to support the government's tough economic objectives if ministers grant individual increases to single categories of workers.

Germans fear delay in VAT changes

By Quentin Peel in Bonn

German industrialists were warned yesterday that a new collection system for value added tax in the European Union might be seriously delayed.

It was intended to streamline and simplify the cumbersome transitional system currently in operation. However, tax experts in Bonn fear that opposition to the new rules from other member states could put back the plan until the introduction of a single European currency, in 1999 or even later.

The new system, requiring that VAT payments be levied at the rate applicable in a product's country of origin rather than its country of sale, is an important element in finalising details of the single European market.

Talks in Brussels between German business leaders and the European Commission have produced no reassurance for their anxieties, the German chambers of commerce and industry (DIHT) said yesterday.

They warned that the whole principle of collecting VAT on the country-of-origin basis, which would favour big net exporters such as Germany, could fail because of the current disagreements.

"The DIHT sees with great concern [the possibility] that the so-called country-of-origin system for VAT in the European Union could fail," the German business lobby said. "That principle must not be overturned."

The German industrialists have been much the most energetic in seeking to simplify the present transitional arrangements, which require companies to do all the paperwork for VAT returns formerly carried out by the customs authorities.

They have expressed surprise at the relative lack of support from business groups in other member states.

The DIHT said that much of the opposition to the new system came from EU governments who feared they would lose tax revenues if the VAT was collected at the point of manufacture and not of sale. But the transitional rules were imposing a substantial extra cost on companies in all member states.

It warned that a "costly compromise for the business community" which might emerge would be to delay introduction of the final system until the EU had been able to make significant progress towards creation of a single currency. Under present circumstances, that could well mean 1999 or even later.

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The tinkering engineer who serves as the symbol of Ukraine's quiet revival

Chrystia Freeland visits a surgical needle-maker with a pointer to the future

Ukraine stirs

Mr Viktor Skuratovsky, a former professor of mechanical engineering, is the sort of man who, were he an American, would spend his weekends tinkering in his garage and his weekdays parlaying his technical ingenuity into a growing business.

But Mr Skuratovsky was born in Ukraine and for the first five decades of his life his inventive drive earned him admonitions rather than rewards. In the 1980s he was dismissed from his job as an engineering professor because of his Ukrainian Catholic faith and he spent the rest of the decade struggling to produce surgical needles with his own unique process in the cramped basement of a Kiev hospital.

For Mr Skuratovsky things are at last starting to change. Ukraine's government is incompetent and its state sector largely moribund, but slowly opportunities are opening for private thinkers and tinkers. Without taking into consideration the fast-growing shadow economy, the private sector accounted for 30 per cent of Ukraine's gross national product in the first quarter of this year.

That figure, and the expected continued growth of the private sector, is thanks to a new breed of businessmen like Mr Skuratovsky. Together with Mr Andrii Smirnov, a former student, and Mr Evhen Stychynsky, a young lawyer, Mr Skuratovsky has found an American partner and American investors for his business. Their joint venture, Holnit, was due to begin production of surgical needles this summer and they hope by the end of the year to be up to capacity of 2m needles a year.

The owners of Holnit have an engineer's scorn for the new *biznesmeny* who have capitalised on government connections, or muscle, or both, to earn instant fortunes by selling commodities at bargain prices and importing often shoddy western consumer goods.

"Our principle, from the very beginning, has been not to engage in these easy trading operations," Mr Smirnov says. "No matter what is happening now, we are convinced that eventually, any nation's economic strength is in manufacturing."

Ukraine has a vast manufacturing base, but, as in other former Soviet republics, in the past the country's technical expertise was almost exclusively devoted to the military sector. Holnit, and other small factories like it, are engaged in conversion by stealth.

The two massive lathes in Holnit's brand new workshop amazed the company's new American partners from Look, a Massachusetts-based producer of surgical needles. Purchased at cut-rate prices from cash-starved Ukrainian defence plants, the lathes, according to the Americans, are so sophisticated "you can make rockets with these things".

Mr Skuratovsky has fitted out his factory at a fraction of the price he would pay in the west thanks to the managers of military factories, once the Soviet Union's industrial élite, but now squeezed by the nearly bankrupt Ukrainian central government, who were delighted to earn money from equipment for which they no longer had any use.

Another advantage Holnit has over fledgling manufacturers in the west is a skilled populace, desperate to leave jobs in the collapsing state sector.

While Holnit is confident about the technical skills of its new workers, it demands a change in attitude.

"When people come in for a job interview, the first thing I tell them is that this is not a socialist workplace, it is the new Ukrainian capitalism," says Mr Smirnov, the partner in charge of hiring. "There will be no trade unions and no communist party cells here. Those who work well will be well rewarded, those who don't will be fired."

Though Holnit's version of capitalism, Ukraine-style, promises to be far tougher than its western counterpart, Mr Skuratovsky is grateful for the participation of his American partners. What Look and the Ukraine Fund, a US based venture capital fund which invests in small Ukrainian businesses, have contributed to Holnit is quality control techniques, packaging, marketing expertise and capital. Holnit and its investors hope that with this combination of Ukrainian know-how and western money, the company will be able to corner the market in the former Soviet Union, which has no indigenous large-scale manufacturer of surgical needles.

"Western aid has destroyed the market in Moscow and St. Petersburg," Mr Skuratovsky says. "Why pay for what you can get for free?" But he believes there is a huge, untapped market in Ukraine, provincial Russia and central Asia where surgeons, unable to find the appropriate instruments, often resort to inadequately sterilised, inappropriate needles and sutures.

For the privilege of filling this needed gap in the Ukrainian market, Mr Skuratovsky and his partners have had to negotiate a Kafka-esque bureaucratic obstacle course. Everyone from the local fire department, to the tax inspectors to the civic administration must be, as Mr Stychynsky, the lawyer, delicately puts it, "taken into consideration".

And Holnit has it better than most Ukrainian companies because the country's favourable legislation on foreign investment allows Holnit, as a joint venture, to take a five-year holiday from punitive taxes which, if rigorously applied, can consume all of a company's profits.

Somehow, Mr Skuratovsky and his partners retain their confidence that they will manage to continue to circumvent their nation's administrative labyrinth. Even as construction workers were putting the finishing touches to their new workshop, they avidly described the really perfect factory they hoped to be able to build in five years' time.

And over coffee, Mr Skuratovsky is unable to resist the temptation to pull out a pen, take a napkin and illustrate his newest invention for an even better lathyroscopic needle.

This is the second article in a three-part series on Ukraine. The first appeared yesterday.

Viktor Skuratovsky with one of the lathes purchased from the defence sector and appropriated in a conversion by stealth

James Hill

President Leonid Kuchma yesterday tightened conditions for granting aid to Ukrainian state companies, Reuter reports from Kiev. It was the first of a series of measures intended to shore up the collapsing economy, according to his economic adviser, Mr Volodymyr Kuznetsov.

Under the new decree financial assistance, mostly in the form of loans, will be given only after the companies provide a business plan or restructuring programme. The government will also have to work out a mechanism for providing outright aid to some enterprises of strategic importance. The decree defined state enterprises as those in which the state has at least a 50 per cent share.

Mr Kuznetsov said six other draft decrees on stabilising the economy, including currency regulation, customs policy and tax reform, were likely to be signed later this week. Ukrainian enterprises owe each other $4.4bn and the mutual indebtness is one of the country's main economic problems.

MMM hunger strikers held by police

By Chrystia Freeland in Moscow

Four shareholders of the troubled Russian investment fund MMM were arrested yesterday. They had began a hunger strike in solidarity with Mr Sergei Mavrodi, president of the fund whose operations were frozen last week. After demonstrations in Moscow demanding Mr Mavrodi's immediate release and an end to "a state attack" on the MMM fund, three of them were charged with illegal picketing and one with "insanitary behaviour".

Shareholders at one of the demonstrations outside the White House, headquarters of the Russian government, described Mr Mavrodi as "as saviour who can return to the Russian people the savings accounts and pensions which the government has confiscated through its economic reforms". They demanded the government release Mr Mavrodi, who himself began a hunger strike last weekend, and cut or eliminate taxes on his businesses, so MMM could return their money.

Meanwhile, the authorities have intensified their crackdown on the investment fund, whose share's have dropped to one fiftieth of their previous value over the past two weeks. Tax officials announced that they were extending by 10 days the detention in solitary confinement of Mr Mavrodi, who is accused of tax evasion. An association of Russian businessmen also said they had begun a private investigation into Mr Mavrodi's misdeeds.

However, the shareholders' spirited protests suggest that the government's strong-arm tactics against Mr Mavrodi are beginning to backfire. Mr Mavrodi, who first demonstrated his ability to tap into the Russian psyche with MMM's phenomenally successful advertising campaign, has managed to shift the rage of frustrated investors from himself to the state.

"Thanks to the state's intervention, MMM has succeeded in evading responsibility for the pyramid scheme," said Mr Igor Bunin, a sociologist studying Russia's fledgling capitalism. "Now there is even a chance that Mr Mavrodi, when he is eventually released, will be able to start another operation of the same sort."

Mr Sergei Taranov, MMM's spokesman, accused the tax police of forging the arrest warrant for Mr Mavrodi. He said the fund could not resume "normal operations" until Mr Mavrodi's release, but he assured shareholders that, despite his hunger strike, the president was still in good health. "Mr Mavrodi has no intention of dying," Mr Taranov said.

Dutch snuff out church candle cartel

EU rules have ended a price arrangement dating back to first world war, writes **Ronald van de Krol**

The stiff wind of competition is blowing through the candle-lit churches of the Netherlands, where members of the Church Candles Convention have been forced by European Union rules to change their ways and abandon the practice of price fixing.

This week, as part of its drive to eliminate cartels, the government outlawed a price-fixing arrangement that has been operated by the convention's 12 members since the first world war.

The companies, which supply candles to mainly Catholic churches, have not decided whether to appeal. "To be successful, we'd have to prove that the price arrangements are in the interest of the Netherlands as a whole," said Mr Gody van den Hurk, secretary of the industry association. They are not alone in feeling the heat of the government's campaign against cartels. Until recently, the Netherlands was alone in the EU to permit cartels, provided they were not expressly forbidden and were entered in a secret government register.

The Netherlands forbade price-fixing agreements in 1993, and this year it outlawed market-sharing and tender-fixing agreements. So far, it has not granted a single exemption to the rules, not even to the 12 church candle-makers.

"We've never heard objections from fellow manufacturers or the churches themselves," said a spokesman for Van Manen, a family-owned candle-maker.

"The market for church candles is not expanding, and there's no growth in the number of churches. If anything, the trend is downwards."

Mr Jacques Klok, chairman of the finance directors of the Catholic Church's seven Dutch bishoprics, said: "To us, what is important is that there are enough candle-makers in the Netherlands."

Each of the church's 1,800 Dutch parishes buys its own candles from its own long-standing suppliers. According to Mr van den Hurk, because of these traditional links between priests and the companies which have supplied local churches for generations, there is little likelihood of cut-throat competition emerging.

Attentive service and quick deliveries are probably more important to churches than price alone, he believed.

The mainstay of the industry is the devotional candles which churchgoers can light for a donation, starting at around Fl 1 (36p) for the smallest candle. Churches pay less, and use the difference to pay for general upkeep and religious purposes.

The industry's most specialised product is the large altar candle which is made to detailed liturgical specifications and which stays lit for days at a time on special occasions, such as Christmas or Lent. Prices for these are calculated by the kilo, but can easily exceed Fl 250 (£90) for the bigger varieties.

The average Catholic church spends several thousand guilders a year on candles. This is especially true for those in large cities where streams of tourists and other visitors encourage church elders to light candles during the week. In the countryside, candle-lighting tends to be restricted to once or twice a week.

Together, Dutch churches spend up to Fl 8m a year on candles, a fraction of the country's total Fl 200m annual consumption of candles.

Besides church candle-makers, other business sectors that have failed to win exemptions from the new cartel rules include the country's aviation schools, which wanted to continue their policy of charging a basic minimum for parachute courses.

Dutch estate agents also dropped their minimum commission under government pressure and, instead, adopted a system of negotiable, recommended charges. This week, however, a Dutch house-owners' lobby group claimed that some agents were still agreeing commission levels and presenting a united front to prospective house-buyers.

EUROPEAN NEWS DIGEST

Enel to be sold off before Stet

Enel, the Italian state electricity utility, will be privatised before Stet, the telecommunications holding company, according to Italy's industry minister. In an interview published in the weekly magazine L'Espresso, Mr Vito Gnutti said Stet would not be privatised until 1995, whereas "in September or October we should have the papers ready for a decision on Enel". Such a timetable, if confirmed, is likely to disappoint Stet's former managing director, Mr Michele Tedeschi, who took over last week as chairman of Iri, the state holding company which is Stet's parent. He said a week ago that he hoped Stet would be privatised in the autumn, as originally planned. Both privatisations are likely to be complicated by political and market pressures. Enel and Stet will be among the largest state companies to be privatised in the two-year programme of sell-offs, and is politically the most sensitive. The government must set up regulatory authorities for the two industries before it can even attempt privatisation.

The Italian treasury announced at the weekend that it had raised L4,512bn (£1.87bn) in June by selling half of Ina, the state-owned insurer, in the largest privatisation so far. Ina's shareholders, which include a range of Italian and foreign funds, will have a chance to vote for new directors of the company at an autumn assembly, the treasury confirmed. *Andrew Hill, Milan*

Berlusconi adverts dropped

The Italian state broadcaster, the Rai ,said yesterday it was suspending a television advertising campaign designed to boost the image of Prime Minister Silvio Berlusconi's government. The Rai decided to suspend the government advertisements, launched only 48 hours earlier, after Italy's media ombudsman intervened. The decision to suspend the advertisements is another slap in the face for a government which last month suffered a series of embarrassments, including the withdrawal of a decree limiting magistrates' use of pre-trial custody. The first of the 45-second advertisements, accompanied by the slogan "Facts which citizens should know to exercise their rights", was broadcast on Saturday, and outlined the achievements of the government since its appointment in May. Italian law allows the government to use the media to publish information of "social relevance", but opposition parties said the campaign was pure propaganda. *Reuter, Rome*

Sarajevo military ban urged

The commander of UN troops in Bosnia called yesterday for a demilitarised zone around Sarajevo after Nato aircraft struck at defiant Serbs last Friday. Lt-Gen Sir Michael Rose was trying to set up a meeting with the commander of the Bosnian Serb forces, Gen Ratko Mladic, to discuss the issue, a UN official said. The plan calls for a withdrawal of all armed and uniformed soldiers and would allow both Serb and Moslem forces to take their weapons out of the zone. However, there has been no response from Gen Mladic, whose forces in Sarajevo have been blamed for an increasing number of sniping incidents. *Reuter, Sarajevo*

Athens firm on airport strike

Greece's Socialist government yesterday refused to bow to pay demands from air traffic controllers, who are disrupting flights with a go-slow. Foreign tourists have faced long delays at Athens airport since May, mainly because of the protest by 500 controllers. Mr Theodoros Pangalos, transport and communications minister, told the controllers' union in a letter: "I will agree to fresh talks on condition you drop your demand for pay rises in 1994 and 1995. I will not grant one drachma beyond inflation and nothing will make me change my stand. The claim would bring pay from Dr600,000 [£1,629] a month to Dr1m." He said he was considering transferring air traffic controllers to the defence ministry's jurisdiction, where security considerations would make conditions tougher. *Reuter, Athens*

Aer Lingus staff step up action

Workers at Aer Lingus, Ireland's state-owned airline, plan to step up a dispute over lay-offs and cost-cutting with eight days of protests, a union spokesman said yesterday. Staff at the airline's maintenance subsidiary met earlier to discuss action after talks with the company and mediators failed. The protests – involving a series of blockages on roads around the airport – will start today. A union official said: "The action is going to last until the issue is resolved ... It is likely that there will be serious disruption." *Reuter, Dublin*

Czech capital inflows rise

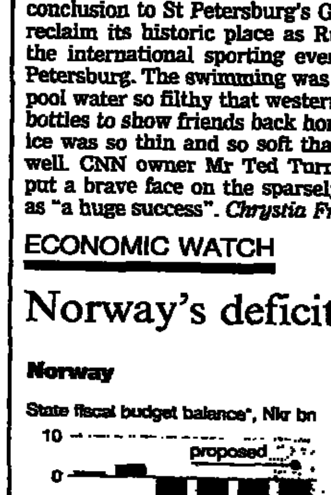
The Czech National Bank has revised sharply upwards its estimate of foreign capital inflows for 1994 from Kcs60bn (£1.38bn) to Kcs100bn, but stressed that the inflationary effect would be broadly neutral. The pace of foreign capital inflows has pushed up M2 money supply to a preliminary 7.4 per cent in June from 3.7 per cent in April, and an average 1.3 per cent in the first quarter of 1994. Year-on-year inflation in June was 9.7 per cent, up from 9.3 per cent in May and 9.2 per cent in April, and close to the target of 10 per cent set by the CNB at the beginning of the year. *Vincent Boland, Prague*

Goodwill games hit for six

Parachutists with bad timing knocked down a group of youths marching with banners over the weekend in a fittingly clumsy conclusion to St Petersburg's Goodwill Games. As an effort to reclaim its historic place as Russia's "window on the west", the international sporting event has sorely backfired for St Petersburg. The swimming was postponed for a day because of pool water so filthy that western teams decanted it into plastic bottles to show friends back home. Skaters fared no better: the ice was so thin and so soft that their events were delayed as well. CNN owner Mr Ted Turner, who organised the games, put a brave face on the sparsely attended event, describing it as "a huge success". *Chrystia Freeland, Moscow*

ECONOMIC WATCH

Norway's deficit below forecast



*Surplus before loan transactions
Source: Ministry of Finance

Norway's budget deficit could fall below NKr30bn (£2.82bn) in 1995 if prices for the country's North Sea oil remain strong, the Finance Ministry said. For the current year it said the deficit would be less than NKr40bn, compared to a forecast of NKr42.5bn. Norway, Europe's biggest oil producer, produced a record 2.67m barrels per day in June. The Labour government has forecast a 1994 oil price of NKr110 a barrel. *Reuter, Oslo*

■ Car sales in Spain rose 16.6 per cent to 101,748 in July compared with 87,247 in the same month last year, the national carmakers' association said. The increase in the first seven months was 18.9 per cent, but the total of 555,599 was still far less than the 646,570 registered in the same period of 1992 and 8.1 per cent below the average for the previous five years.

■ A seasonally adjusted 4,917 French companies failed in January, 0.1 per cent more than the 4,866 judged bankrupt in December, Insee, the national statistics office, said. However the number of companies failing in the three months from November 1993 to January 1994 was 1.5 per cent down on the same period a year earlier.

NEWS: WORLD TRADE

XAC to supply sections for 737 airliner

Boeing in $600m Chinese venture

By Tony Walker in Beijing

Boeing yesterday signed its biggest manufacturing agreement yet with a Chinese company when its president initialled contracts worth about $600m for the supply of aft sections for its 737 twin-engine airliners.

Mr Ron Woodard, president of Boeing, said the Xian Aircraft Company (XAC), was "now elevating itself from a producer of major assemblies to manufacturer of an entire Boeing aeroplane section."

XAC has been manufacturing parts for Boeing aircraft since the 1980s, including vertical fins, horizontal stabilisers and forward access doors. But this will be the first time it will have manufactured the whole section of an aircraft.

Boeing's decision to engage a Chinese company in a big production venture reflects the company's desire to further consolidate its position in its fastest growing market.

"Support of China's aerospace industry has been a top priority for Boeing for many years," said Mr Woodard. "Much technology has been exchanged ... enabling China's aerospace industry to be on a par with other world-class manufacturers."

Boeing supplied 46 jetliners to China last year or 14 per cent of its entire production of 330 aircraft. China this year is scheduled to receive 36 Boeings, or 14 per cent of the company's output of 260 aircraft.

China is also in the market for Boeing's newest jetliner, the 777, which is a medium-to-long-range wide-bodied jet with a capacity of up to 400 passengers. China Southern Airlines, based in Guangzhou, has ordered six of the aircraft with the first due in May 1995.

Boeing also announced that it was upgrading its representation in China by basing a senior executive in Beijing. He will report directly to the president of the company in Seattle.

Boeing plans to spend $100m in China over the next five years on upgrading its service and spare parts facilities and in assisting the Chinese to improve their maintenance and air safety standards.

Mr Woodard said Boeing hoped to continue its dominance of the China market with 65-75 per cent of new sales.

Boeing forecasts that the total market for commercial jet aircraft sales in China will be worth $40bn until 2010. This would make China the world's third largest aviation market after the US and Japan.

Separately, Mr Woodard told reporters he expected that a feasibility study, involving Boeing, Chinese and Japanese organisations, into the co-production of a 100-seater jetliner for the Asia-Pacific would be completed within 18 months.

HK gives the world its phone number

Louise Lucas on foreign interest in a planned expansion of its mobile market

The Hong Kong government has incensed the telecommunications industry with proposals to expand the mobile telephone market – a move widely tipped to have the effect of attracting competition from across the globe and expected to give the existing cellular operators a run for their money.

The government announced last month that it would award up to 10 new mobile licences as early as next April. The invitation to bid is bound to attract a wide number of bidders, including from Europe and the US. Hong Kong has no bars on foreign ownership or participation in its economy and licences are awarded on the basis of merit rather than being auctioned off to the highest bidder.

The new licences are being awarded on the basis of a projected total demand of 1.1m mobile phone users, or 18 per cent of the total Hong Kong population, by the end of 1998, which assumes current growth rates are maintained.

In a consultative paper issued in February, the government said it intended to award up to six Personal Communication Services (PCS) [also known as Personal Communication Network (PCN)] licences – mobile services intended for the mass market with coverage comparable to existing cellular services and accessible through inexpensive and lightweight handsets.

Even this suggestion met with outrage – Pacific Link Communications, one of the existing cellular operators, advocated a ban on new licences for the time being; conversely two non-cellular operators urged discrimination against (if not a total veto on) those operators already providing cellular services.

But the submissions in response to the consultative paper that caused the greatest impact were those that called on the Office of the Telecommunications Authority (Ofta) to consider the advanced Japanese technology known as Personal Handy Phone System (PHS).

Hong Kong last week asked Japan's telecommunications ministry for co-operation in its plan to introduce the system.

The suggestion came in a proposal – outlined in the authority's report on the Future Regulation of Mobile Telecommunications Services in Hong Kong that followed the consultation process – to issue four new licences on PHS.

Mr Alex Arena, director-general of telecommunications for Ofta, says about half the 47 submissions made after the consultative paper mentioned PHS. "So I took the view, if the industry wants to use PHS and I have spectrum [frequencies] available, and if it meets the usual tests for developing a standard, I would be prepared to accept it for Hong Kong."

He disputes the notion of a "magic number", or ceiling, and points to the fast-growing pager market which, unhampered by regulatory barriers, has swollen to accommodate 34 licencees.

"Competition has driven that market and grown that market and therefore many more licences can exist that would not have had the government decided four or five was the right number. We have been trying to get the message across that government's role is to create opportunities in the market. If they cannot make a business of it then the normal marketplace dynamics will take effect," he says.

But it is the nature of that competition which is disturbing the industry. Mr Douglas Li, chief executive of SmarTone, Hong Kong's newest cellular operator, says: "The government takes the view competition is good. But that's a narrow view. It seems logical and simple and appeals to the populous, but I think it's too simplistic in the sense that overall if you look at Hong Kong as a whole all these networks are way too many.

"Economically it is not that efficient. Especially with PCN, the nature of which means you have to have substantial investment up front. By issuing licences all at the same time means some time in 1996/97 we will have this sudden emergence of a massive amount of capacity. People put hard dollars in to create those, and the only way is to make them pay is to grab customers. The most likely way to do that is by dropping the hell out of prices, but that means the financial case deteriorates, maybe beyond the pale."

Hongkong Telecom's deputy chief executive Peter Howell-Davies says: "Six PCN licences and four PHS licences is bold. Whether it's the best solution for Hong Kong I think needs – and am sure will receive – further consideration. ... We have counselled some caution on whether that's the best solution for Hong Kong, knowing the industry is changing fairly rapidly."

Mr Andrew Harrington, senior analyst with Salomon Brothers in Hong Kong doubts there will be enough demand to absorb more than two new licencees – one PCN and one PHS.

Already three out of 10 people in Hong Kong have some form of mobile telephony, or around one per household, giving Hong Kong one of the highest penetrations in the world and putting it on a par with fixed wire telephone penetration in Taiwan and South Korea. "It takes a leap of faith there's significant long-term growth left in the market. How high can it go?" says Mr Harrington.

Mr Li of SmarTone is adamant the move will do little to enhance services to customers: "I don't think it is necessarily better for consumers. I can see the logic behind what they are saying, but I do feel by splitting the spectrum in so many parts it is not aiding efficiency on the part of the operators. It requires us to invest more and ultimately that (cost) has to be passed on to customers.

"It will lead to a massive amount of capacity and definitely bring down prices. Initially that's a great deal for the consumer, but I believe there will be casualties financially among the operators. If that kind of cost-cutting competition comes in then you will find possible deterioration in services offered."

India to publish guidelines for telecoms licences

By Andrew Adonis

The Indian government will publish guidelines this month for the licensing of private telecommunications operators, including overseas companies, but licences are not expected to be issued until next year.

Mr Nagarajan Vittal, the senior official responsible for Indian telecoms policy, said the new guidelines would specify the terms on which the state's existing telecoms monopoly will be abolished and private operators allowed to provide services.

"I would expect to see the first new operators licensed within three to six months after that," he said at the Asia-Pacific Telecommunity conference in Bangkok.

However, Mr Vittal indicated that an intense debate was continuing between the Telecom Commission, which he chairs, and the government, which is under strong pressure from India's state telecoms operators and trade unions to limit the degree and speed of liberalisation.

"They are afraid that the new competitors will be very quick in establishing themselves, and they are arguing this strongly at the centres of power," he said.

India has barely eight telephone lines per 1,000 people, and is looking to private companies, including foreign groups, to invest up to $5bn over the next three years to help meet the country's target of increasing its number of lines from 8m to at least 16m.

Warning those opposed to reform, Mr Vittal said there was a danger of "too much navel-gazing" while demand remained unmet. "Several other countries in the region are making much faster progress than us," he said, noting that India was competing with "at least 60 other countries" to attract foreign investment in telecoms.

More than 50 proposals have been put forward by private operators for providing basic telephony services, either in competition or co-operation with existing state operators. Overseas operators expressing interest include US West, Motorola and AT&T of the US, Siemens of Germany, and Fujitsu of Japan.

The guidelines will cover the terms on which private operators will be licensed and the proportion of foreign equity allowed in new undertakings. They will also include details of a new regulatory authority to be established to underpin the new competitive regime.

Mr Vittal said legislation would probably be required to establish the regulatory authority, but the government would be free to license new operators without recourse to special legislation.

NEWS IN BRIEF

Hyundai Indian deal

Hyundai, the South Korean industrial group, is setting up its first joint venture in India to make marine freight containers in collaboration with DCM Shriram group of Delhi, *writes Shiraz Sidhva in New Delhi*. The new company, DCM Hyundai, will build a wholly export-oriented unit at Polivakkam, near Madras in Tamil Nadu, at the cost of Rs700m ($220m), with an installed capacity of 18,000 TEUs (20ft equivalent unit). The Hyundai group will have a 15 per cent equity stake, and the DCM Shriram group, 26 per cent. DCM Shriram Industries, which has interests in sugar, chemicals, textiles, and leasing, has just begun a Rs1bn modernisation and expansion programme. Mr Bansi Dhar, DCM Hyundai chairman, said the company would enter the capital markets in the next two months to raise Rs150m for the project. The plant is expected to be operational by December.

ALCATEL, the French telecommunications group, yesterday announced an expansion of its presence in the South African market with the conclusion of a FFr210m ($39m) contract to supply a telephone transmission network to Eksom, the South African electricity board, *writes John Ridding in Paris*. The five-year contract, which was won by Alcatel Italia, the company's Italian subsidiary, includes the supply of medium and high capacity digital radio links and a network management centre.

KUWAIT yesterday signed a contract with a Russian state arms company to buy armoured personnel carriers and multiple rocket launchers, the state news agency Itar-Tass reported, *writes Chrystia Freeland in Moscow*. Kuwait is the first country to buy Russia's Smerch rocket launchers, which are the successors to the Katyusha system. A spokesman for Rosvooruzhenye, the state company through which the weapons are being sold, would not specify the price or quantity of armaments negotiated in the contract. Yesterday's deal is the most recent step in Russia's effort to revive its massive but cash-strapped defence sector by finding foreign buyers for the arms the Kremlin no longer wants or can afford. Government officials said yesterday that the Ministry of Defence, traditionally allowed nearly unlimited access to the state purse, is falling behind in payments to arms factories. The government's debt to the defence industry is one reason for Russia's dramatic fall in industrial production this year.

OECD Export Credit Rates

The Organisation for Economic Co-operation and Development announced new minimum interest rates (%) for officially-supported export credits for August 15th to September 14th 1994 (June 15 1993-July 14 1994 in brackets).

D-Mark	7.47	(7.54)
Ecu	8.17	(7.99)
French franc	8.09	(8.13)
Guilder		
up to 5 years	7.35	(7.55)
5 to 8.5 years	7.70	(7.90)
more than 8.5 years	8.25	(8.35)
Italian lira	10.29	(9.92)
Yen	4.20	(4.20)
Peseta	11.24	(10.82)
Sterling	9.28	(9.44)
Swiss franc	6.16	(6.28)
US dollar for credits		
up to 5 years	7.48	(7.27)
5 to 8.5 years	7.91	(7.78)
more than 8.5 years	8.12	(7.91)

These rates are published monthly by the Financial Times, normally in the middle of the month.

A premium of 0.2 per cent is to be added to the credit rates when fixing at bid. Interest rates may not be fixed for more than 120 days.

SDR-based rates of interest are the same for all currencies. For the period from July 15 to January 14 1995, the SDR-based rate will be 7.35 per cent. It replaces the previous rate of 5.86 per cent. The SDR-based rate will again change on January 15 1995.

Korean bribes probe draws in chaebol chiefs

By John Burton in Seoul

An expanded investigation into bribery involving Korea's nuclear energy programme threatens to implicate the heads of the Daewoo and Dong-ah industrial groups.

Prosecutors allege that the former president of Korea Electric Power (Kepco), the state-run electricity monopoly, received kickbacks totalling Won400m (£324,412) from the two conglomerates for construction contracts of several nuclear plants and thermal power stations.

Mr Ahn Byong-wha, the Kepco president between 1989 and 1993, was arrested last week for allegedly accepting a Won200m bribe from the Korean agent for Atomic Energy of Canada involving a nuclear reactor contract. A total of five nuclear power plants were ordered by Kepco at a cost of $10bn (£6.6bn) during Mr Ahn's term.

Mr Kim Woo-choong, the Daewoo chairman and one of Korea's best-known businessmen, is expected to be interrogated today on his return from a business trip to Vietnam following the questioning of Mr Choi Won-suk, the Dong-ah chairman, over the weekend.

The business groups own two of the country's largest construction companies.

Both men could be indicted on bribery charges if it is believed they gave kickbacks to Mr Ahn.

Mr Ahn is alleged to have demanded the money in order to bribe other government officials in the former administration of President Roh Tae-woo in an unsuccessful attempt to extend his term as Kepco president.

The Kepco investigation threatens to harm relations between the government of President Kim Young-sam and the country's big conglomerates, or *chaebol*.

Mr Kim initially took a tough stance against the *chaebol* last year in an effort to reduce their immense economic and political influence. Several main groups, including Hyundai and Pohang Iron and Steel (Posco), were the target of corruption inquiries.

But the government adopted a conciliatory policy toward the *chaebol* earlier this year as part of an attempt to revive economic growth.

Political analysts believe that Mr Kim might once again be willing to challenge the *chaebol* in an effort to reverse his declining popularity after his ruling Democratic Liberal party lost two of three parliamentary by-elections last week.

The Korean public has generally mistrusted the power of the *chaebol* and the president's anti-corruption campaign last year contributed to his high approval ratings then.

It is thought Mr Kim may also try to use the Kepco investigation as a means to assert his authority in the DLP against the conservative faction affiliated with former President Roh.

Mr Ahn was a former trade and industry minister in the Roh administration after serving as president of state-controlled Posco.

Critics of Mr Kim have accused him of conducting a political vendetta by focusing corruption investigations on companies whose leaders were known to oppose his presidential candidacy in 1992.

Mr Kim of Daewoo and Mr Park Tae-joon, the former Posco chairman, supported a aborted effort to run a conservative candidate against the present president.

Mr Park later fled to Japan after he was investigated for allegedly using Posco funds to finance the failed presidential challenge.

Mr Chung Ju-yung, the former Hyundai chairman who stood against Mr Kim in the 1992 election, recently received a suspended jail sentence for illegal campaign finances, and his group has been subject to government-imposed financial restrictions.

Cautious applause for straits 'breakthrough'

Tony Walker and **Laura Tyson** on the talks between Beijing and Taipei

China's official media yesterday highlighted what was described as an "important breakthrough" in talks between Chinese and Taiwanese officials, but gave less weight to the story than newspapers in Taiwan.

People's Daily, the communist party newspaper, on page three of its international edition, reported that common ground had been achieved on "functional issues" such as the repatriation of hijackers, fishing disputes and the return of mainland Chinese working illegally in Taiwan.

The accord was hailed as a "major breakthrough" by negotiators, but fundamental conflicts over issues of sovereignty and legal jurisdiction were not addressed. Observers in Taipei cautioned that while the outcome of the talks, the sixth round since groundbreaking meetings in April 1993, had smoothed cross-strait waters for the time being, underlying political tensions would be likely to escalate in the future.

Reports in the Chinese press were consistent in tone with the need for workmanlike discussions Beijing had emphasised in the lead-up to the talks between Mr Tang Shubei, secretary-general of China's quasi-official Association for Relations Across the Taiwan Straits and his Taiwanese counterpart, Chiao Jen-ho of the Straits Exchange Foundation.

While Beijing is treating the latest developments in a sober manner, there is no doubt it is taking seriously the process begun in Singapore in 1993 when the two sides agreed at a highly publicised meeting to explore ways to broaden contacts as part of a confidence building process.

Impetus has been given to the discussions by Beijing's growing concern, shared by the Taiwanese leadership, about a strengthening nationalist movement in Taiwan. China's leaders will not have overlooked opinion polls showing an increasing number of Taiwanese favouring independence.

China's avowed aim is to achieve reunification of Taiwan with the mainland, but whereas in the past it had insisted there was plenty of time to achieve this, gains made in recent elections by opposition parties committed to independence have changed Beijing's approach.

Mr Tang gave voice to these concerns in comments after the two sides reached agreement on Sunday.

Describing cross-straits ties as "very complicated", he added: "Whomever tries to cut these ties and create hostile feelings is serving no-one's interests."

While it would be stretching a point to describe Mr Tang's visit to Taiwan as part of a "charm offensive", there is also no doubt that he was at pains to show a human face to the Taiwanese to counter the independence tide.

Mr Tang may also have wished to make amends for China's mishandling of a boat tragedy in March in which 24 Taiwanese tourists were murdered while sightseeing on a lake near Hangzhou, south of Shanghai. Chinese officials at first disregarded the feelings of the relatives by blocking visits to the scene, fuelling suspicions of a cover-up.

Mr Hu Fo, a politics professor at National Taiwan University, said the talks "certainly helped restore a certain spirit of harmony, consensus and mutual trust" damaged by the incident. "But the basic problems which existed well before (the incident) remain. This will make it extremely difficult to reach similar agreements on a political level."

Mr Shih Ming-teh, chairman of the opposition Democratic Progressive Party, denounced the talks, which he said Beijing had used merely to get ties back on track.

Chinese media say they hope further high-level discussions can be held soon, including a repeat of the Singapore "summit". Beijing would like to force the pace on such issues as direct shipping and air links, but Taiwan remains nervous, fearing being drawn into a suffocating embrace.

Beijing, for its part, wishes to encourage trade and investment further. Taiwanese investment in the mainland exceeds US$10bn and would receive a significant boost if barriers to direct contacts were removed.

US-North Korea talks resume

Chief US delegate Robert Gallucci and Mr Kan Sok-ju, his North Korean counterpart, resumed talks at the North Korean mission in Geneva yesterday on Pyongyang's controversial nuclear programme, Reuter reports.

After a weekend break during which both sides were to consult with their capitals, Mr Gallucci said it was too early to say whether there was any policy shift from the new leadership following the death four weeks ago of President Kim Il-sung.

The US and its allies in east Asia are trying to persuade North Korea, which they accuse of having a secret nuclear weapons programme, to open up its nuclear power facilities to full international inspection.

The most immediate issue in this round of talks is the fate of about 8,000 spent fuel rods taken from a reactor at Yongbyon in June.

The US which originally threatened United Nations sanctions over the fuel rods, has warned that they could soon corrode and pose a radiation risk.

Reuter

Chief US delegate Robert Gallucci with Mr Kan Sok-ju, his North Korean counterpart, at the North Korean mission in Geneva

Japanese bank raises interest rate

By Emiko Terazono in Tokyo

The Industrial Bank of Japan, a leading Japanese long-term credit bank, raised its long-term prime rate – the rate charged on loans to first-tier clients – yesterday for the first time in five months in response to a rise in yields on the government bond market.

The bank's increase of its long-term prime rate, a benchmark for corporate lending rates, by 30 basis points to 4.7 per cent will be effective from tomorrow. Although corporate demand for funds have been low because of the prolonged recession, the rise in loan rates may squeeze demand even further.

Heightened expectations of an economic recovery and a fall in the yen against the dollar has weighed upon the government bond market, and long-term yields rose to a 14 month high of 4.63 per cent last Friday.

The rise has affected short-term rates, and could affect profitability at corporations and banks because of the rise in interest payments.

Iran's MPs block cuts in food and drug subsidies

Iran's parliament yesterday ordered the government not to cut subsidies on food and medicine, weakening a key element of President Akbar Hashemi Rafsanjani's economic liberalisation programme, Reuter reports from Tehran.

The MPs, during a debate broadcast on state radio, agreed however with the government on the need for cuts in generous domestic energy subsidies, despite earlier this year having vetoed an increase in petrol prices.

As it opened its debate on a new five-year plan, already watered down in committee by members uneasy with Mr Rafsanjani's free-market reforms, parliament also ordered a 25 per cent cut in Iran's foreign debt by the end of the plan.

The government had proposed a 15 per cent cut in foreign borrowing during the five-year plan, which was originally due to come into force at the end of March, but has been delayed by parliament for one year to allow closer study.

The debt was put at $30bn by Mr Ali Movahedi Savoji, a Tehran deputy, during the debate.

Mr Rafsanjani said in April that Iran's foreign debt was $18bn, of which $10bn had been refinanced in agreements with foreign creditors.

Speaker Ali Akbar Nateq-Nouri said special Majlis (parliament) committees had "hammered out and modified" government proposals for the five-year development plan, Iran's second since the 1979 Islamic revolution.

The full parliament approved the plan's broad objectives, of deregulation, currency and subsidy reforms that have stirred popular discontent.

"The government does not feel there are great differences (to the plan) after the approval of the (Majlis) special committee," said Mr Masood Rowghani Zanjani, head of the budget and planning body and representing the government in the debate. "We were able to minimise our differences."

But the committee told the government not to make cuts during the plan in subsidies on medicine and certain foodstuffs – worth $1.67bn a year compared to a total budget for 1994-95 of just under $40bn.

India's trade gap narrows

By Shiraz Sidhva in New Delhi

India's exports grew 9.5 per cent to reach $5.6bn (£3.6bn) in the first three months of fiscal 1994-95, against $5.1bn in the corresponding period last year, the commerce ministry reports.

Imports increased 7.5 per cent to $5.8 bn in the same period, against $5.4bn in April-June 1993.

The country's trade balance for the three-month period registered a decline at $197.94m. Last year's trade deficit was $301.49m, the ministry added.

Exports showed relatively low growth this year because of the erosion of India's competitive edge, reflecting a higher inflation rate than in the US, EU and Japan and growth in domestic demand.

Textile and leather exports, which account for nearly 20 per cent of total exports, have been adversely affected by sluggish international demand and competition from other suppliers, mostly in the Far East. The export of engineering goods, which accounts for nearly 10 per cent of the total market, slowed because of a fall in demand for primary and semi-finished iron and steel products.

Oil companies tread warily in Nigerian strike

Paul Adams and Robert Corzine on how western majors are coping with the dispute

Western oil companies in Nigeria find themselves caught between a political hard place and a rock.

As the industry enters the sixth week of a strike by oil workers, the companies are seeking a middle way between a military government determined to see off the opposition, and the workers who are demanding a handover to civilian rule.

If the oil companies maintain output they risk being accused of supporting an unelected regime and alienating their workforce. There is also a possible danger to the safety of their non-striking staff and equipment from the more extremist government opponents.

But if the companies, which account for more than 99 per cent of Nigeria's normal production of about 2m barrels a day cut output, they lose revenue and risk being accused by the Nigerian government of backing a politically motivated strike. Given the fact that oil accounts for over 90 per cent of Nigeria's foreign earnings and over 80 per cent of government revenue, any overt sign of support for the strikers would be viewed harshly by the military.

There is no sign of an end to the oil workers' stoppage, which has spread to other unions in protest at the arrest on treason charges of Mr Moshood Abiola over his claims to be president.

Production has fallen by more than a quarter, with most of the loss from onshore fields operated by the Anglo-Dutch Shell group. It normally produces half Nigeria's oil but has cut its output to about 500,000 barrels a day, according to industry sources.

"We are trying to maintain as much as possible of the industry and prevent an escalation of danger in a very delicate situation," said Mr Brian Anderson, chairman of Shell's Nigerian affiliate, in Lagos yesterday.

"We have rejected the government's offer of military protection in order to maintain full production. I do not believe that protection is possible in some of our fields," which are spread across a vast area of the Niger delta. "There are too many small fields too exposed to attack or sabotage. We do not believe that calling in troops is the answer and could lead to even more serious trouble," said Mr Anderson.

> If the oil companies maintain output they risk being accused of supporting an unelected regime and alienating their workforce. There is also a danger to non-striking staff and equipment from extremist government opponents.

For the first month of the strike, Shell kept the oil flowing with the use of non-union management and expatriate staff, and some contract workers, to replace the skilled engineers of the senior staff association Pengassan on strike. Normal maintenance has been neglected, however, and development of new capacity is impossible.

Recently threats against strike-breakers were followed up by attacks. Two of the staff were beaten up for continuing to work and minor sabotage, carried out by strikers, halted some plants. Shell began to pull its staff out of the most dangerous fields and declared *force majeure*, enabling them to default on supply contracts.

Mr Anderson rejects charges that Shell is siding with the unions, with whom the company will always have to work, regardless of the tenure of the present regime.

"We are certainly not taking sides with anyone, we are non-political" he said. "We would like to maintain full production and we want a resolution of this crisis. But I am not prepared to risk the lives of my staff or risk more serious sabotage and I do not want to inflame the situation."

He says Shell has to achieve "a fine balance". "We want to retain our assets, both staff and equipment, so that we can recover when this is resolved. We have old fields, with high water content, especially in the western region. You don't just turn on the taps and it starts to flow."

Other companies are also beginning to report supply disruptions, but on a lesser scale than that affecting Shell. Chevron, the third largest producer, is said to have lost about 15 per cent of its 350,000 b/d output and Mobil, the second largest has been even less affected.

Both operate offshore or in onshore enclaves which are easier to protect and have fewer fields. Elf's offshore operation of about 60,000 bpd has been shut down but Elf continues to produce offshore.

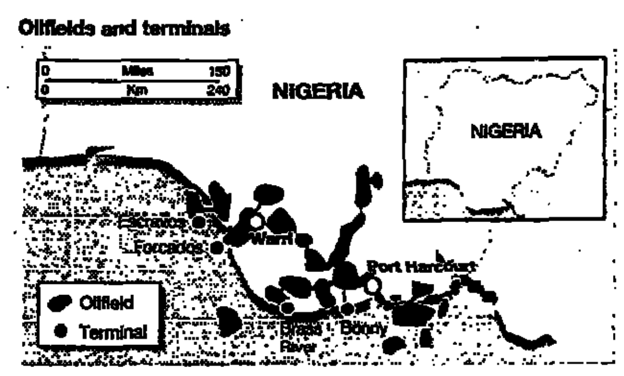
In the longer term the strike will worsen a decline in investment which began almost a year. The government, which owns 58 per cent of the joint ventures with the multinationals has fallen further behind on paying its share of costs, with the backlog now estimated at £800m. The 1994 budget for exploration and production has been cut from $4bn to $3bn, inadequate to maintain future capacity.

Rising costs are already cutting into the multinationals' fixed profit margin of $1 a barrel. At $19 a barrel this is about 5 per cent. But the government arrears have forced a halt on investment.

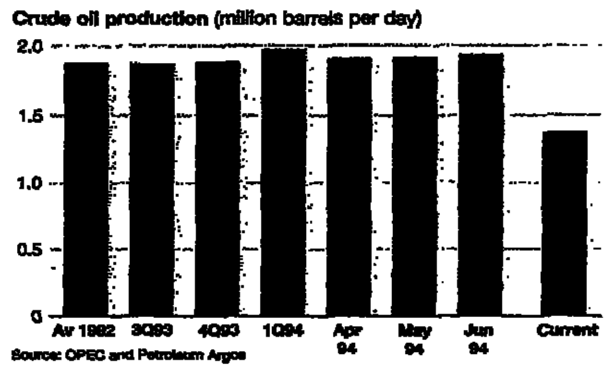
The big multinationals can survive a temporary drop in revenue but political instability and state-led under-investment are dimming the one bright spot in Nigeria's economy over the past eight years.

Nigeria

Oilfields and terminals



Crude oil production (million barrels per day)



Source: OPEC and Petroleum Argus

Federal budget will be 'swamped' by 2010

Senators warn on runaway spending

By George Graham in Washington

Some of Washington's wisest heads yesterday issued a solemn warning that runaway government spending was heading in a direction that will eventually swamp the federal budget.

Sounding the alarm over the expansion of government entitlements, such as Social Security and Medicare benefits for the elderly, a bipartisan commission chaired by Senator Robert Kerrey, of Nebraska, called for action to address the problem before it became overwhelming.

If trends continue unchecked, the commission said in a preliminary report, by the year 2010 the entire federal budget will be consumed by entitlements and by interest on the government debt.

"What we are saying is that if we continue the trend lines that we are going right now, we are going to find the federal government essentially converted into an ATM machine," Mr Kerrey said.

The commission is due to present a more detailed final report in December – after the congressional elections – with its recommendations. Yesterday's interim report was intended to raise public awareness of the extent of the problem.

Although many voters favour cuts in government spending, they tend to believe that the budget deficit can be brought into line by eliminating waste, fraud and welfare payments to the unemployed.

Apart from interest on the national debt, which is expected to eat up 14 per cent of government spending next year, the largest programmes in the federal budget are Social Security and Medicare, hugely popular middle class benefits which together account for one third of all government spending.

While Social Security generates an annual surplus, most of its beneficiaries take out much more than they put in, and the ageing of the US population mean changes will be needed at some point.

Medicare, like other health spending, continues to climb much faster than the general rate of inflation, and hopes are now dwindling that a reform of the healthcare system would be able to bring it under control.

The commission was originally set up by President Bill Clinton to fulfil a promise made to Mr Kerrey in return for his vote for last year's budget. Since Mr Kerrey now says he will not vote for the healthcare reform bill at present under consideration, Mr Clinton may have to promise to do something about the commission's proposals in order to win Mr Kerrey over once again.

Income tax next year for Cubans

By Canute James in Kingston

Cuba will impose taxes on property and income at the start of next year as part of a government effort to cut the budget deficit, ease pressure on the peso and shore up the troubled economy.

The taxes, the first of their kind since the revolution 35 years ago, will be levied first on the self-employed and on Cubans who earn from foreign sources. The legislation, passed at the weekend by the National Assembly, includes provisions for taxes on salaried workers when the economy improves.

The legislation also imposes taxes on a range of property and on some services. The rates will be announced in the next three months. Their imposition is the government's response to a widening budget deficit, which reached 4bn Cuban pesos (£2.5bn at the official exchange rate) last year.

It also wants to mop up much of the 11.75bn pesos in circulation, which officials say has contributed to a depreciation of the currency on the unofficial market. The government announced a 50 per cent cut in the armed forces' budget this year, saying they should cost "as little as possible".

For two months Cubans have been paying more for a range of consumer goods and public transportation. Cigarette prices rose by an average of 600 per cent while alcohol prices were doubled. The cost of air and sea travel was also increased.

Last week police clashed with protesters in Havana's port area after what diplomats describe as a perceptible rise in political tension in the capital.

Fuel, food and medicines have been in short supply, power cuts are frequent and lines of ration card holders have been growing.

Over 500,000 Cubans, rallying to honour a murdered policeman, protested against opposition groups in Havana at the weekend Reuter

Farm chief faces gifts probe

By Nancy Dunne in Washington

Will a ride in a company jet and tickets to two sporting events bring down Mr Michael Espy, the US secretary of agriculture? Did he, as is alleged, take these gifts in exchange for easing up on proposed poultry regulation? These questions frame the latest mini-scandal in the pursuit of ethical purity in Washington.

Mr Espy has been the subject of a Federal Bureau of Investigations probe and Ms Janet Reno, the attorney general, is expected to ask a federal court to appoint an independent prosecutor to investigate the matter, yesterday's Washington Post reported.

Mr Espy is accused of having flown to Washington on a corporate aircraft from Arkansas, where he had been making a speech. He is also accused of accepting tickets to a football game and a basketball game. The alleged donor is Tyson Foods, the largest poultry supplier in the US and an early supporter of President Bill Clinton.

One farm lobbyist who admires Mr Espy's work as secretary said the charges, despite the low value of the gifts, were "a serious matter" because food safety inspectors have for years been fired for having taken a turkey or ham for Christmas dinner.

"It is no bigger deal than all the money Clinton took from Tyson," said Mr Niel Ritchie, spokesman for the Institute for Agriculture and Trade Policy in Minnesota. "But any time anyone in Washington takes travel and favours from people they're supposed to be regulating, it diminishes confidence that they will be doing a fair job."

Although Mr Espy reimbursed Tyson's for some of the expenses, according to his staff, and the gifts were minor, he is accused by some of delaying poultry regulation reform for a time.

The charges have been causing some consternation in the Washington farm lobby. "I think its a witch-hunt that may have something to do with different perceptions of what is acceptable," said Miss Carol Brookins, a Washington agriculture consultant. "The real issue is, at what point do some of these ethics rules get to being ridiculous?" She and several farm lobbyists say an investigation now would be "regrettable" if it detracted from the focus needed on next year's re-authorisation of US farm programmes.

Reno: may ask for prosecutor

Allowable asbestos levels cut

By Jeremy Kahn in Washington

The US government yesterday cut by half the level of asbestos permissible in the workplace. The ruling came in the announcement of a long-awaited set of regulations affecting 4m workers in the construction, car repair and shipbuilding industries.

The change, by the Occupational Safety and Health Administration of the US labour department, was prompted by a 1988 court ruling stemming from a 1986 union law suit which challenged the previous tolerance level as "dangerously lax", and one which exposed workers to unsafe amounts of the carcinogen.

"With these new rules, we now have in place a regulatory structure that will result in very significant reductions in deaths due to cancer and in costs to society," said Mr Joseph Dear, assistant secretary of labour. The labour department estimates 42 cancer deaths a year will be prevented under the new standard.

The new level of permissible exposure will be 0.1 asbestos fibres per cubic centimetre of air over an eight-hour exposure period.

The new regulations will cost \$361m (£230m) to implement, Mr Dear said, far less than the \$15bn price-tag for the mandatory government inspections the labour department opted against.

The new rules do not require building owners to remove asbestos but instead focus on training maintenance and construction workers how to safely work around materials containing asbestos.

The rulings specifically address the situation where asbestos may have been used as a fire retardant insulation in ventilation systems in buildings constructed before 1980.

The new rules offer owners of such buildings a choice of either assuming their building contains asbestos and proceeding under the new training and safety guidelines, or paying to have their buildings inspected.

Along with the 3.2m construction and maintenance workers, there are new standards affecting 685,000 car mechanics, who work with clutch and brake systems containing asbestos, as well as 1,000 shipbuilders.

"We're confident that today's ruling will close the books on asbestos regulation," Mr Dear said.

Dismissals and new currency alter outlook for Brazil poll

Patrick McCurry on a fall in inflation and the dumping of running mates accused of fraud

The removal of two of Brazil's vice presidential candidates after fraud allegations is being seen as further evidence that things might slowly be changing in a country where holding public office has long been regarded as a means to personal wealth creation.

Last week Mr Fernando Henrique Cardoso, presidential candidate of the centrist Brazilian Social Democrats, took swift action to replace his running mate Mr Guilherme Palmeira of the conservative Liberal Front party, Mr Cardoso's main electoral ally. Mr Palmeira was accused of being linked with fraud involving public works contracts.

A week earlier Mr Luiz Inácio Lula da Silva of the left-wing Workers' party dropped his deputy, Mr José Paulo Bisol of the Brazilian Socialist party, after allegations that Mr Bisol had submitted over-costed amendments to the budget for works that benefited property he owned.

Although both Mr Bisol and Mr Palmeira, who are both senators, deny any wrongdoing the sackings were a response to the growing public demand for clean government. Mr Cardoso and Mr da Silva, who are tying in the opinion polls for the election in October, had little choice but to sacrifice their running-mates in the face of incessant, if often sensationalist, press investigations.

The coverage has been feeding, and feeding off, the public's demand for higher standards of public morals, which stems largely from the resignation of former President Fernando Collor in December 1992 amid corruption allegations, and from a huge congressional investigation into federal budget fraud that ended earlier this year with the expulsion or resignation of several leading politicians.

The public mood has reached the point where, according to a poll last month, Brazilians rate honesty as by far the most important personal quality for the next president. It was rated top with 38 per cent followed by character at 3 per cent and competence at 2 per cent.

This trend has damaged the campaign of Mr Orestes Quércia, the controversial candidate of the Democratic Movement party, Brazil's biggest. Mr Quércia has been stuck at 7 per cent in the polls, largely because of an indictment on fraud charges relating to his term of office as São Paulo state governor. Last Friday Brazil's appeals court quashed the case.

For Mr da Silva, known as "Lula", the allegations levelled at his running-mate have been a blow to the Workers' party's image of clean government. Mr da Silva's delay of nearly a month in sacking Mr Bisol virtually paralysed his campaign.

This coincided with the introduction by Mr Cordosa, when he was finance minister, of Brazil's new currency, the real, which has brought monthly inflation down from 50 per cent in June to 7 per cent last month and has helped Mr Cardoso draw level with Mr da Silva in the polls after trailing by 15 to 20 points.

Mr da Silva's new running-mate, Mr Aloizio Mercadante, is an economist and is expected to spearhead the Workers' party's new approach to the anti-inflation plan. Given the widespread public approval for the plan, Mr da Silva is in a delicate position. If he criticises it he risks being labelled the "candidate of inflation" by Mr Cardoso, while if he supports it he is, in effect, endorsing his opponent.

Mr da Silva has toned down his criticism and is now committed to retaining the new currency but also to increasing wages, which he says have been eroded under the plan.

Mr Cardoso's new running-mate, Mr Marco Maciel, is, like Mr Palmeira, a senator from the Liberal Front party and from the north east of Brazil, a region in which Mr Cardoso's party is weak. Mr da Silva is expected to try to exploit Mr Maciel's membership of military governments and the Collor administration by portraying Mr Cardoso's team as representing a return to the bad old days of corruption.

INTERNATIONAL ECONOMIC INDICATORS: **PRODUCTION AND EMPLOYMENT**

Yearly data for retail sales volume and industrial production plus all data for the vacancy rate indicator are in index form with 1985=100. Quarterly and monthly data for retail sales and industrial production show the percentage change over the corresponding period in the previous year, and are positive unless otherwise stated. The unemployment rate is shown as a percentage of the total labour force. Figures for the composite leading indicator are end-period values.

UNITED STATES

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	7.1	100.0	102.4
1986	105.5	100.9	6.9	98.0	107.1
1987	108.4	106.0	6.1	105.5	108.2
1988	112.6	110.7	5.4	106.1	112.1
1989	115.6	112.4	5.2	99.3	110.6
1990	116.4	112.4	5.4	84.8	106.3
1991	114.0	110.3	6.6	62.2	111.6
1992	117.6	112.9	7.3	60.3	116.8
1993	123.8	117.6	6.7	65.3	123.1
3rd qtr.1993	5.9	4.2	6.7	66.0	119.6
4th qtr.1993	5.8	4.3	6.4	69.4	123.1
1st qtr.1994	7.2	5.0	6.5	71.3	124.1
2nd qtr.1993		5.5		74.7	
July 1993	6.3	3.8	6.7	65.8	117.8
August	6.0	4.3	6.7	66.7	118.6
September	5.5	4.4	6.8	65.5	119.6
October	5.5	4.1	6.6	68.5	120.8
November	5.9	4.2	6.4	68.9	122.2
December	6.0	4.6	6.3	70.7	123.1
January 1994	4.6	4.9	6.6	66.7	123.5
February	7.2	4.6	6.4	72.9	123.7
March	10.0	5.4	6.5	74.3	124.1
April	7.0	5.1	6.4	73.5	123.9
May		5.7	6.0	76.4	123.2
June		5.8		74.1	

JAPAN

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	2.6	100.0	97.0
1986	106.5	99.7	2.8	94.3	105.9
1987	113.8	103.1	2.8	108.3	115.2
1988	122.6	113.1	2.5	135.9	122.1
1989	132.5	119.7	2.2	147.0	124.9
1990	141.6	124.5	2.1	149.8	122.1
1991	144.6	126.8	2.1	144.2	119.6
1992	139.9	119.0	2.1	124.2	118.9
1993	132.0	113.6	2.5	106.6	125.7
3rd qtr.1993	−5.1	−4.8	2.5	101.7	125.0
4th qtr.1993	−5.7	−4.2	2.7	103.3	125.7
1st qtr.1994	−2.9	−3.1	2.8	101.7	133.7
2nd qtr.1993		−1.3			
July 1993	−5.8	−5.2	2.5	102.6	128.9
August	−4.1	−2.5	2.6	102.3	124.5
September	−5.6	−6.1	2.6	100.3	125.0
October	−5.2	−6.0	2.7	96.6	125.2
November	−7.3	−3.2	2.7	111.8	124.9
December	−4.6	−3.5	2.8	99.5	125.7
January 1994	−1.9	−2.7	2.7	97.0	127.1
February	−8.7	−4.4	2.9	97.7	129.7
March	−3.2	−2.2	2.8	110.7	133.7
April		−2.0	2.8	99.5	134.2
May		−1.8			135.2
June		−0.0			

GERMANY

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	7.1	100.0	105.2
1986	103.4	102.2	6.4	136.4	105.1
1987	107.4	102.6	6.2	149.4	106.1
1988	110.5	106.3	6.2	164.8	112.3
1989	114.1	111.4	5.6	218.7	115.1
1990	123.5	117.2	4.8	261.1	115.7
1991	130.5	120.8	4.2	270.7	112.8
1992	127.7	119.1	4.6	260.2	108.3
1993	122.8	110.8	5.8	198.5	113.3
3rd qtr.1993	−2.2	−6.4	5.9	194.9	111.5
4th qtr.1993	−5.8	−3.1	6.3	178.4	113.3
1st qtr.1994	0.2	0.0	6.5	194.2	116.3
2nd qtr.1993		2.8		186.1	
July 1993	−3.3	−8.0	5.8	201.5	109.6
August	−0.8	−5.6	5.9	195.7	110.9
September	−1.9	−5.7	6.1	186.6	111.5
October	−3.6	−4.3	6.2	175.1	112.2
November	−5.1	−4.0	6.3	179.2	112.7
December	−8.5	−1.0	6.3	180.9	113.3
January 1994	0.2	−1.7	6.4	189.2	114.1
February	0.5	1.0	6.5	195.8	115.2
March	−0.2	0.7	6.5	195.6	116.3
April	−7.6	2.8	6.6	192.5	118.1
May	2.5	2.3		186.7	118.9
June		3.2		185.1	

FRANCE

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	10.3	100.0	101.9
1986	102.4	101.1	10.4	107.2	109.1
1987	104.5	103.1	10.5	117.7	108.6
1988	107.9	107.3	10.0	134.9	113.8
1989	109.5	111.3	9.4	161.1	113.4
1990	110.3	112.9	8.9	163.0	108.2
1991	110.3	113.2	9.4	127.6	109.5
1992	110.5	113.2	10.4	111.8	107.9
1993	110.7	109.9	11.7	90.4	110.9
3rd qtr.1993	0.4	−2.9	11.9	85.4	108.4
4th qtr.1993	−0.5	−1.5	12.3	86.5	110.9
1st qtr.1994	1.4	0.2	12.5		113.4
2nd qtr.1994					
July 1993	1.2	−2.6	11.7	94.4	107.1
August	−1.2	−3.0	11.9	80.8	107.5
September	1.2	−3.1	12.0	81.2	108.4
October	−2.7	−4.4	12.2	84.8	109.2
November	2.0	−0.1	12.4	86.3	110.2
December	−0.6	−0.0	12.4	88.4	110.9
January 1994	0.7	1.2	12.6	n.a.	111.4
February	1.4	−1.0	12.5	n.a.	112.1
March	2.0	0.5	12.6	103.6	113.4
April	−3.9	3.5	12.6	114.0	114.9
May	3.3	3.4	12.7	110.2	115.7
June 1994				108.7	

ITALY

	Retail sales volume	Industrial production	Unemployment rate	Composite leading indicator
1985	100.0	100.0	9.6	103.6
1986	106.8	104.1	10.4	110.5
1987	112.1	106.8	10.9	112.6
1988	107.8	114.2	10.9	117.5
1989	116.9	118.7	10.9	115.6
1990	114.4	118.0	10.3	111.5
1991	111.0	115.4	9.8	114.4
1992	116.9	115.4	9.8	111.0
1993	114.2	112.9	10.2	121.0
3rd qtr.1993	−1.4	−0.8	10.3	118.3
4th qtr.1993	−6.9	−0.5	10.7	121.0
1st qtr.1994		−1.0	10.8	122.3
2nd qtr.1994				
July 1993	−6.4	−3.3	n.a.	115.3
August	1.2	0.5	n.a.	116.7
September	1.1	0.4	n.a.	118.3
October	−6.6	−1.4	n.a.	119.2
November	−5.4	−1.6	n.a.	120.2
December	−9.9	1.7	n.a.	121.0
January 1994		−2.9	n.a.	121.6
February		−0.6	n.a.	122.3
March		0.5	n.a.	122.6
April		6.8	n.a.	122.8
May		2.8	n.a.	123.0
June 1994			n.a.	

UNITED KINGDOM

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	11.2	100.0	102.3
1986	105.3	102.4	11.2	116.1	105.8
1987	110.7	106.5	10.3	141.2	110.3
1988	117.8	111.6	8.6	144.9	108.5
1989	120.1	114.0	7.2	124.7	106.2
1990	121.1	113.7	6.8	98.1	103.8
1991	119.6	109.2	8.8	68.9	107.8
1992	120.5	108.7	10.0	70.1	113.0
1993	124.6	111.3	10.3	77.2	120.2
3rd qtr.1993	3.8	2.4	10.4	77.4	119.3
4th qtr.1993	3.7	3.2	10.1	82.7	120.2
1st qtr.1994	3.5	4.1	9.9	84.0	120.9
2nd qtr.1994	4.0	5.7		88.7	
July 1993	4.4	3.3	10.4	77.1	117.4
August	3.6	2.4	10.4	77.8	118.6
September	3.4	1.7	10.3	77.5	119.3
October	3.2	2.2	10.2	80.7	119.5
November	3.8	3.7	10.0	83.6	119.6
December	4.2	3.9	9.9	83.8	120.2
January 1994	3.9	4.4	10.0	83.9	120.8
February	2.8	3.9	9.9	84.0	121.2
March	3.7	4.1	9.7	84.2	120.9
April	4.4	6.0	9.6	87.1	120.7
May	4.2	5.0	9.5	88.0	121.0
June 1994	3.3	6.2		91.0	

All series seasonally adjusted. Statistics for Germany apply only to western Germany. Data supplied by Datastream and WEFA. Retail sales volume: data from national government sources except Japan and Italy (value series deflated by OECD using CPI). Refers to total retail sales except France and Italy (major outlets only) and Japan (department stores only). Industrial production: data from national government sources. Includes mining, manufacturing, gas, electricity and water supply industries except Japan (mining and manufacturing only) and UK (also includes construction industries). Unemployment rate: OECD standardised rate which adjusts as far as possible for the different definitions of unemployment used in official sources. Vacancy rate indicator: relevant vacancy measure divided by total civilian employment, expressed in index form. Derived from OECD series. US – help-wanted advertising, Japan – new vacancies, Germany and France – all jobs vacant, Italy – no data available. UK – unfilled vacancies. Composite leading indicator: OECD data. Each is a combination of series, cyclical fluctuations which usually precede cyclical fluctuations in general economic activity.

CBI says drop in output price inflation 'highlights competitive nature of economy'

Steady growth reinforces recovery

By Peter Norman, Economics Editor

Subdued price rises at the factory gate and buoyant consumer borrowing figures provided fresh evidence yesterday that April's tax increases have so far not upset steady growth with low inflation in Britain.

The Central Statistical Office reported that the prices charged by UK manufacturers for their products rose by only 1.9 per cent in the year to July – the lowest increase since December 1986 – while net borrowing by consumers to cover current purchases of goods and services grew by a record £683m in June.

The two sets of statistics reinforced the impression that the UK is enjoying an unusually benign recovery from the recession of the early 1990s.

Among yesterday's good news, the CSO reported that the "core rate" of output price inflation, which excludes food, beverages, tobacco and petroleum, also increased by only 1.9 per cent in the year to July: its lowest rise for nearly 27 years.

But at the same time, it announced that prices for industry's raw materials and fuel rose by a seasonally adjusted 0.5 per cent between June and July after a sharp 1.3 per cent increase in June.

Treasury officials hailed the drop in annual output price inflation from 2.1 per cent in June as encouraging. The Confederation of British Industry said it highlighted the competitive nature of the UK's post-recession economy.

But some City economists warned that the Bank of England was still likely to push for an increase in bank base rates from 5.25 per cent in the months ahead.

"There are signs that gains in input prices and manufacturers' price expectations are starting to feed through [into output prices]," said Mr Michael Saunders, UK economist of Salomon Brothers International in London. "The drop in the year-on-year rate of output price inflation will not prevent a rate increase in the next few months, and probably in September," he added.

Economists at James Capel, the UK stock broker, said they thought base rates might rise in October.

Yet, although yesterday's credit figures showed the biggest monthly gain in net lending to consumers since data were first collected in the 1980s, there was little sign of concern in the Treasury that they might signal a re-igniting of inflation.

Officials pointed out that June's £683m increase in net lending followed weak net lending of £208m in May and the increase appeared to reflect a slowdown in credit card repayments rather than a surge in new commitments.

The CBI pointed out that the record increase in net lending coincided with heavy price discounting at the start of the summer sale. The figures, it said, showed that "consumers remain extremely value conscious and are willing to borrow to finance current spending when the price is right".

Textiles job loss fears over Hualon

By James Blitz

A group of senior British industrialists is to step up its attack on the government's backing for the Hualon project in Northern Ireland, amid fears that it will lead to substantial job losses in textile factories elsewhere in the UK.

In the latest indication of the concern which the project has aroused in the British textile industry, a delegation of business leaders has said that it will meet Sir Patrick Mayhew, the Northern Ireland Secretary, on Thursday.

The delegation, which will be led by Mr Nicholas Winterton, the Tory MP and chairman of the Manufacturing and Construction Industries Alliance, will tell Sir Patrick to suspend backing for the £157m Hualon project until the government has canvassed views of other business leaders.

It will also demand that the government should consult British industry about the economic consequences of all future inward investment decisions before they are taken

"We want to ensure that what has happened over Hualon will never happen again," said Mr Christopher Whitehouse, the chief executive of the Alliance. "Ministers and Civil Servants should not feel they have a right to put people out of a job just for political considerations."

The plant – to be built by a Malaysian division of Hualon, a Taiwanese conglomerate – will represent the largest industrial investment in Northern Ireland since the failure of the De Lorean car venture in the 1970s.

The project is expected to create about 1,000 jobs over the next ten years. But leading figures in the British textile industry believe it could lead to the closure of factories elsewhere in the UK amid signs of over-capacity in the European market.

Mr Whitehouse said yesterday that he was concerned about the way in which the government takes decisions on inward investment in general.

His organisation is inviting British companies to inform them of occasions on which British government decisions have adversely affected their industry.

Navy to protect Cornish fishermen

By Alison Maitland and Ivor Owen

Two Royal Navy ships will be in place in the Bay of Biscay later today to protect a small group of Cornish fishing vessels from further attacks by Spanish fishermen angry at their use of driftnets to catch tuna.

"We will stand by our industry," said Mr William Waldegrave, agriculture and fisheries minister, yesterday. Announcing the despatch of the second fishery protection vessel, HMS Alderney, which is due to arrive in the area this afternoon, he said: "It is unacceptable that UK flagged vessels should be prevented from legitimate fishing as a result of harassment or damage by other vessels. We will see that they are not."

The two vessels will protect a maximum of a dozen Cornish boats that use driftnets for tuna fishing in the Bay of Biscay – with no more than six usually present at any one time. Last week Spanish fishermen, who use baited lines to catch tuna and object to the high-technology driftnets, cut the nets of two Cornish boats and forced others home.

Mr Waldegrave rejected calls for a Royal Navy frigate to be sent to the area, saying the two fisheries vessels would provide adequate protection.

At the same time, he strongly defended the action taken by the Navy to check a complaint by an EU fisheries inspector that the Charisma, a Padstow-based trawler, had used illegal nets.

The Charisma was found to have a net 153 metres longer than the 2.5km permitted by the EU. This is just over the 5 per cent allowed for natural stretching of the nets and a ministry spokesman said charges against the skipper had not been ruled out.

Mr Waldegrave said it was right that what looked like a prima facie case should have been investigated. "We have shown that we enforce the rules properly."

Mr Mike Townsend, chief executive of the Cornish Fish Producers' Association, said his group would maintain regular contact with the Navy on the movements of the Cornish boats in the Bay of Biscay.

Barrie Ball (left), Charisma's skipper, and his father Barrie, the owner, yesterday *David Brenchley*

New graduate pay shows smallest rise since 1981

By John Authers

The average salary being offered to new UK university graduates rose by only 1.1 per cent this year, the smallest increase since records began in 1981, according to a report published today.

The finding, by the Higher Education Careers Services Unit, which represents university vice-chancellors and principals, indicates the mean starting salary in February this year, was £13,647, up from £12,505 a year earlier.

This rise, calculated from 908 vacancies advertised to university career services, was lower than increases in both the retail prices index (2.4 per cent) and average earnings (3.5 per cent) over the same period. Between 1981 and 1990, average starting salaries for graduates of all disciplines had increased above the rate of inflation.

But strong candidates are still able to command inflation-beating salaries. The Association of Graduate Recruiters, which represents the 300 largest university recruiters, said its members had raised starting salaries by an average of 3.8 per cent.

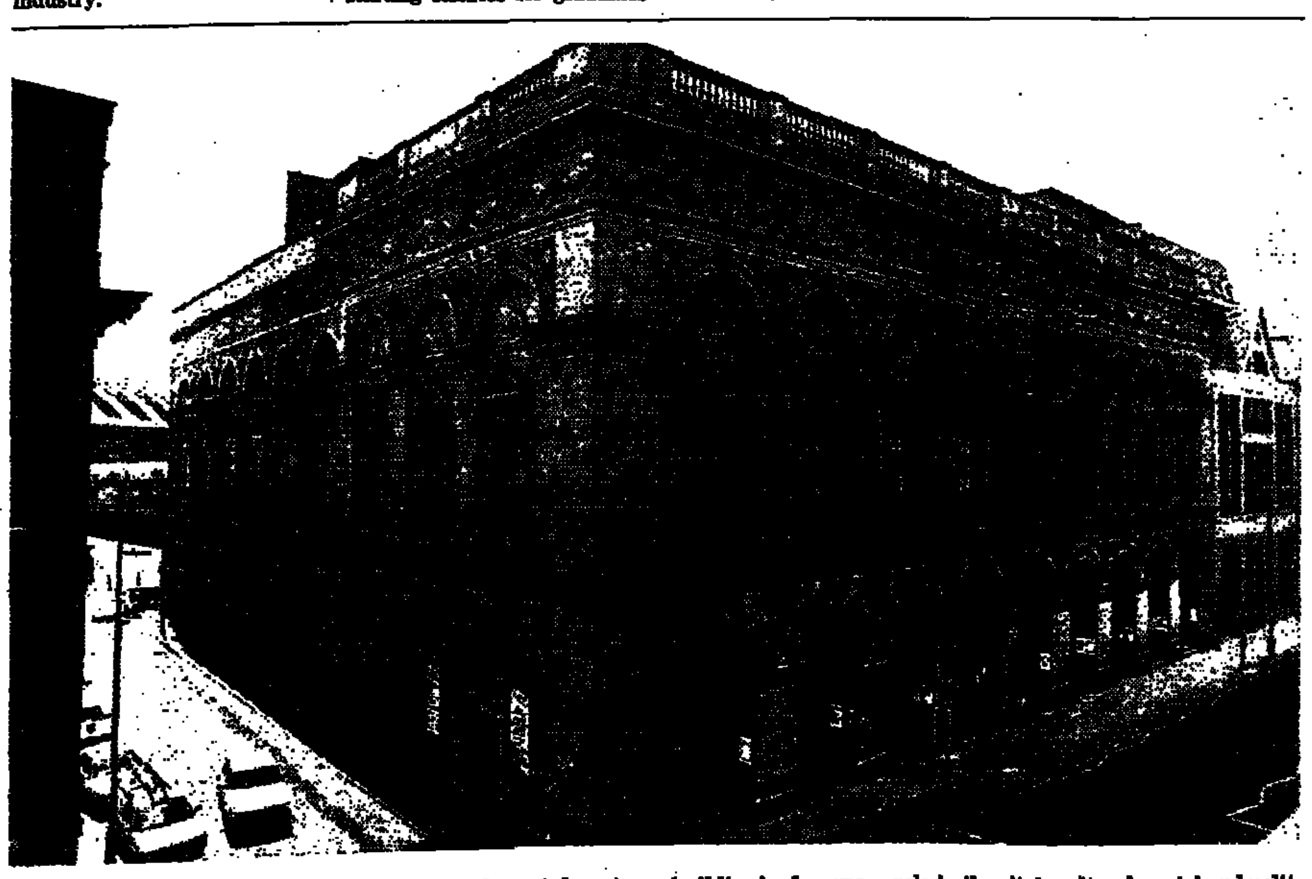
Mr Roly Cockman, the association's secretary, said yesterday: "Even in today's market, high fliers have the luxury of choice. Big companies will pay £17,000 or £18,000 for a new graduate they really want."

The outlook is more bleak, however, for the majority of graduates. Today's report says: "Since September, salary levels have been relatively stagnant as employers have cautiously resumed recruitment following the recession and have taken advantage of the large pool of graduates seeking jobs to keep wage bills low."

Mr Colin Lawton, the unit's statistical assistant, said: "It's a self-feeding process. A lot of companies are alerted when they find graduates knocking on their doors or writing speculative letters."

An increase in the influence of smaller employers was the main factor depressing salaries.

The total number of advertised vacancies for graduates rose by 5 per cent on last year, while the average number of vacancies offered by each company fell, reflecting increased recruitment by smaller companies. Many were recruiting graduates to jobs which might previously have been filled by school leavers, Mr Lawton said.



Manchester's Free Trade Hall (above), originally the headquarters of the Anti-Corn Law League and currently the home of the Hallé Orchestra is set to become a luxury hotel. Chris Tighe writes.

The city council, which owns the historic listed building, said yesterday it would be turned by a £30m development into a 290 bedroom hotel with a 4/5 star rating.

The proposed scheme would retain the Italian-style, stone building's famous facade, and incorporate the statues on the back elevation. Construction is expected to start early in 1996 when the Hallé moves to a new home in the nearby £42m International Concert Hall.

The Free Trade Hall, built in 1856 on the site of the Peterloo Massacre, has always, says the city council, been a symbol of Manchester's drive for enterprise and social reform and has played a major role in the city's cultural, social and political life. Manchester council said it has agreed heads of terms with development company La Sande North West Ltd. La Sande is at an advanced stage of discussions with Scotts Hotels Management Ltd., UK subsidiary of Scotts Hospitality, the major franchise holder of the Marriott hotel brand in the UK.

US-based Marriotts would run the hotel as part of its UK expansion programme.

Britain in brief

Lloyd's case set to go to Lords

A group of 500 loss-making Lloyd's Names is to take its legal case to the House of Lords.

The Appeal Court ruled at the end of June that the Names, who are all members of the Outhwaite syndicate 317/661 in the 1982 year of account, were too late to begin legal action to recover insurance losses, overturning a judgment made last year by the High Court.

The Names, individuals whose assets have traditionally supported the insurance market, allege breach of duty by their agents.

They did not participate in a successful earlier action by fellow Names on the syndicate which resulted in a £116m out-of-court settlement in February 1992.

Last year Mr Justice Saville ruled that the Names, whose solicitors are Norton Rose, could take action against RHM Outhwaite (Underwriting Agencies), which managed syndicate 317/661, and approximately 80 members' agents.

Solicitors Denton Hall are acting for RHM Outhwaite, while Oswald Hickson, Collier are acting for a number of the members' agents in the case.

Action against Astra advisers

The receivers to Astra, the munitions company connected to the Iraqi supergun affair, have started legal action against the auditors and merchant bankers which advised the company on one of the acquisitions that led to its downfall.

Mr Chris Hughes and Mr Chris Barlow, insolvency partners at Coopers & Lybrand, have issued writs in the last few days against Stoy Hayward, the accountancy firm, and Paine Webber, the US-based merchant bank.

The writ pursues the firms for breach of contract and/or negligence in respect of advice given to Astra before its acquisition of PRB, the Belgian munitions company, in 1989.

There is no sum specified in the writ, which is currently a holding action designed to beat the six-year statute of limitations after which it is impossible to bring a case.

However, the PRB acquisition cost Astra £22m, and the writ is likely to seek damages for at least this amount as well as costs and interest since that time.

Paine Webber was the merchant bank advising on the PRB acquisition, and Stoy – Astra's auditors – conducted due diligence. Astra proceeded with a rights issue in July 1989 and completed the acquisition in September.

Coopers & Lybrand said the writs would be served within the next four months.

Rail union may return to talks

The RMT transport union may soon return to the negotiating table through the conciliation service Acas in a further attempt to settle the nine week-long rail signalling staff dispute.

But the union will first require a clear understanding that Railtrack, the state-owned company that runs the network, is willing at once to consolidate into basic rates a large part of a 6 per cent supplement it has already offered.

Acas officials said yesterday they were "actively in touch with both sides". But considerable confusion continued yesterday when little outward progress was made towards a resumption of negotiations.

The RMT and Railtrack have said they want to re-enter talks, but these have failed to materialise.

With the prospect of 72 hours of severe disruption starting on Friday with further strikes on the following Monday and Tuesday, there is little time left to reach a settlement.

The RMT says the main obstacle remains Railtrack's apparent unwillingness so far to state unequivocally in writing that it is prepared to allow a consolidation of part of the proposed 6 per cent supplement.

Michael files Sony appeal

George Michael, the pop singer, yesterday filed an appeal against the High Court's refusal to set aside his recording contract with Sony, the Japanese entertainment company.

Mr Justice Jonathan Parker in June dismissed George Michael's claim that his contract was an unfair restraint of trade and contrary to the European Union's competition laws.

Mr Justice Parker said that Sony had behaved fairly towards the singer. He rejected George Michael's allegation that the company had tried to "kill" his last album as a punishment for his refusal to appear in a promotional video.

The singer said yesterday that he hoped the appeal would be heard "at an early date". Sony declined to comment.

High interest in Shetlands

Growing oil company interest in the relatively unexplored area west of Shetlands was confirmed yesterday when the government announced that blocks in the region had attracted the largest number of nominations in the latest offshore licensing round.

Mr Charles Wardle, parliamentary undersecretary of State for Industry and Energy, said other relatively unexplored areas in the Irish Sea and Cardigan Bay also ". . attracted high numbers of nominations." Many of the west coast blocks are in environmentally sensitive areas.

He said a total of 329 blocks had been nominated by 29 companies. Nomination, however, does not mean that the government will open a particular block to exploration.

After studying the nominations the government plans to offer 150 blocks.

RAF contract for Smiths

Smiths Industries yesterday won a contract, believed to be worth about £15m, to upgrade RAF Hercules transport aircraft with a new navigation system.

MANAGEMENT: THE GROWING BUSINESS

New lease on life

Richard Gourlay looks at the growing popularity of asset-based financing

When Ian Dyson wanted to start a Sheffield bus company in 1990, he was faced with a problem. He and his three partners, all former senior depot managers for the nationalised bus company, had little money and less collateral. To achieve critical mass they needed at least 15 double-decker buses.

The solution was to buy 12-year-old vehicles – but who would finance such aged assets? After exploring a number of cul-de-sacs, including bank loans, Dyson found Close Asset Finance, a specialist leasing company.

Whereas banks were not interested in his collateral, Close Asset Finance took a view on the residual value of the assets in the event of default, entered a hire-purchase arrangement and Sheffield Omnibus was born. Four years later, the company has 85 buses, employs 220 people full-time and is still using leasing for its asset financing.

"We would not have had a business without hire purchase when we started," says Dyson. "As a new company we were aware we would not get the best deal but as they [Close] have got to know us the deals have got better."

This form of asset-based financing has had some heavy-weight support in the past few months. Recognising that UK companies are too dependent on overdraft, the governor of the Bank of England and the chancellor of the exchequer have suggested that they consider other sources. Factoring was one option for financing working capital; leasing another route for financing the assets.

During 1993, some £13.5bn was provided by members of the Finance and Leasing Association, a significant proportion to smaller companies. While this is an impressive figure, there would appear to be scope for significantly more.

According to Michael Maberly, managing director of Lombard Business Finance, part of Lombard, the UK's largest financing group, British industry has yet to translate its short-term optimism into higher levels of investment.

Those businesses that are investing, however, are changing the way they like deals to be financed. Driven by lower interest rates, more companies are opting for hire purchase – which allows them to take control of the asset – rather than the straight finance lease.

Companies such as VIP Colour Ltd, a management buy-out from East Midlands Electricity early this year, are discovering that hire purchase is barely more expensive than finance leasing where the asset reverts to the lessor company at the end of the lease. As a result, hire purchase contracts grew by 86 per cent to £6.06bn in the year to June 1994 while leasing grew by only one per cent to £5.22bn, according to the association.

Some parts of the industry also hope to offer more operating leases. These allow the lessor to factor in the residual value of the assets which it will reclaim at the end of the contract so it can offer the lessee lower rental payments.

Leasing companies are developing reputations for financing certain classes of assets. Close Asset Finance has ties with Heidelberg, the German printing equipment manufacturer, and is known for its familiarity with the second-hand printing machinery market.

Lombard Business Finance, on the other hand, has chosen to enter a joint venture with GATX, the San Francisco-based leasing company. The US group will bring expertise in assessing asset values and, in some cases, will provide Lombard with guarantees of residual values on assets it might otherwise feel unable to finance.

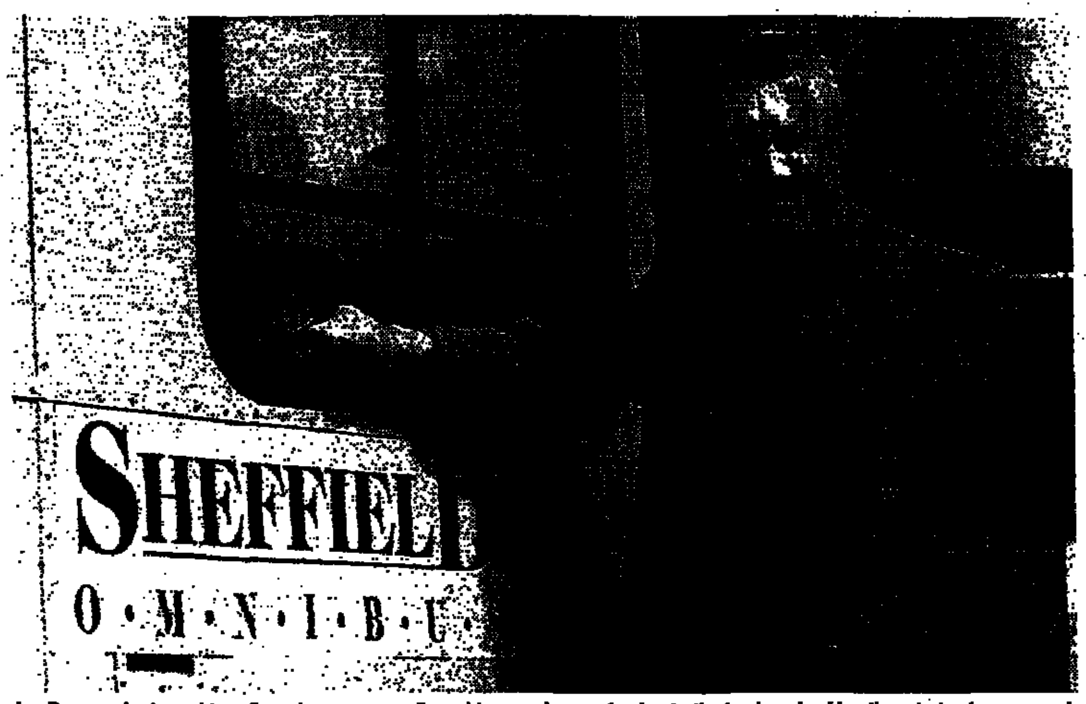
"If you are going to run operating leases you have to understand what you do when you get the assets back and what after-markets there are," says Maberly.

Certain assets are likely to remain off-limits even to specialised financing companies. The residual value of hi-tech investments such as computers is probably something only the manufacturer will be fully equipped to assess. Such deals will remain the preserve of financing companies that support equipment suppliers.

A decision by finance houses to specialise more, and therefore better understand after-markets for second-hand assets, should open up a new source of finance for companies, particularly start-ups. Businessmen who have used financing companies also suggest it is a more flexible option than a bank loan.

Take Sheffield Omnibus which is again expanding its bus fleet. "I would not dream of going to the bank and asking them to lend me money," says Dyson.

In five years, he says, his finance house will allow him to trade in his old buses and lease new vehicles on the same day so his service will barely be disrupted. A bank, on the other hand, would demand that he repay the loan before granting a new one to replace the buses, he says. "That is where the finance houses are head and shoulders above the banks. But the bank will lend me money for the depot – it's horses for courses."



Ian Dyson, who turned to a financing company: 'I would never dream of going to the bank and asking them to lend me money'

Buy-outs take a tumble

Management buy-out activity was considerably more robust last year in continental Europe than it was in the UK, according to a review* published today.

While the total number of deals – including those below Ecu10m (£7.87m) – fell marginally to 374 deals in 1993, the value increased by 5 per cent to £3.1bn, according to the report produced by Initiative Europe and the Centre for Management Buy-out Research at Nottingham University*.

By comparison, the volume of UK deals fell from 506 to 477 deals and the value fell by 14 per cent to £2.85bn. France, the most mature continental market, saw the sharpest decline, with deal volume and value down from 1990 peaks as the largest deals dried up.

But Initiative Europe says that the country's tax laws which make it punitive for family controlled companies to be passed from one generation to another – the issue of *transmission d'entreprises* – should provide a steady flow of opportunities for management buy-outs and buy-ins.

Overall in continental Europe, the recession has not led corporations in financial difficulty to shed non-core assets to repay borrowings at the speed seen by their UK counterparts.

But the recession has led to fewer small deals being financed and investment houses concentrating on doing fewer larger deals. This helped buy-out activity to remain roughly constant despite the deterioration in the economies of continental Europe.

While buy-outs were flat, the volume of management buy-ins increased by 60 per cent in the first half of 1994. The review finds that the technique is particularly appropriate where incumbent management of a family-owned company is not capable of leading a buy-out.

RG

**Europe Buy-out Review. Available from Initiative Europe – Tel 071 735 9838. Price £255*

Failed directors beware

Disqualifications are poised to increase in the UK, writes **Andrew Jack**

Regulators are sharpening their teeth for an altogether more aggressive approach towards the conduct of those in charge of insolvent companies.

The Department of Trade and Industry plans to increase considerably the number of directors of failed companies that it seeks to have disqualified.

It is also acting to ensure that insolvency practitioners in the private sector take a tougher line in providing the information to bring disqualification proceedings.

The changes follow a critical report last year from the National Audit Office, the Whitehall watchdog, suggesting that too few directors were disqualified as a proportion of companies that collapse.

The NAO suggested that the DTI's Insolvency Service was acting against only about half the directors identified by practitioners or its own staff as candidates for disqualification.

For two consecutive years, the service has been given extra resources for disqualification work. It is also clearing a backlog of outstanding cases.

In the 12 months to the end of March, while there were more than 20,000 company insolvencies, only 464 cases were brought for disqualification, as well as 257 prosecution reports on companies and 392 on personal bankruptcies.

In stark contrast, in a parliamentary answer in June, Neil Hamilton, minister for corporate affairs, said there were likely to be 750 to 800 disqualification petitions this year. There will also be what the service calls a "significant" increase in prosecutions.

Even this level will be below the rule of thumb used by many insolvency practitioners, who estimate that about 10 per cent of the directors of failed companies deserve to be disqualified.

Ian Bond, an insolvency partner with Coopers & Lybrand, says that difficulties in identifying miscreant directors are compounded by how hard it can be to make a case in court.

"One of the problems is that there hasn't been enough publicity to get directors really frightened," he says.

Insolvency practitioners estimate that about 10 per cent of the directors of failed companies deserve to be disqualified

Insolvency practitioners must fill out "D-forms" or conduct reports on all directors connected to the companies on which they are working. They comment and tick a box if they believe disqualification should take place.

The Insolvency Service is putting pressure on practitioners to ensure that they provide sufficient information to make the basis of the case to prosecute a director.

Practitioners make their recommendations for disqualification based on guidelines from the Insolvency Service which directors would do well to heed. Those deemed important in judging whether a director is not "fit and proper" to run another company include:

- Misfeasance or breach of duty: whether the directors have received money for services other than remuneration which has resulted in a loss to the company; authorised payments to themselves; undisclosed transactions which resulted in loss.
- Failure to comply with the Companies Act requirements to keep and preserve accounting records and information such as statutory registers and returns.
- Misappropriation or retention of company monies or property.
- Transactions defrauding creditors.

When the company has become insolvent, factors for practitioners to consider include:

- Causes of failure and insolvency.
- Trading without regard to the interests of creditors.
- Trading without reasonable prospect of payment of creditors' claims.
- Use of "phoenix" companies where assets, customers or trading style may resemble closely those in a previous company.
- Taking payments or deposits if the directors know the company is insolvent.
- Undervaluing transactions, preferences and dispositions of property.
- Duty of the directors to assist the insolvency practitioners in their work.

The insolvency practitioner will also consider the sums at stake and the degree of public interest in disqualification.

If the rules are introduced and the Insolvency Service prosecutes, directors who have not paid heed may find themselves in prison, or banned from taking on new directorships for as many years as the courts decide.

مكتبة الأصل

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- specialists in interior refurbishment, joinery and project management traditionally focused on airports, hotels, major retailers and financial institutions
- turnover approximately £7m (1994)
- approximately 30 employees.

Carlton Firmin Limited
- involved in building refurbishment, maintenance and design and build
- turnover approximately £7.1m (1994)
- approximately 20 employees.

Gielissen's Bedrijven BV
- designers and builders of bespoke and system built exhibition stands
- based in Eindhoven, Holland
- turnover approximately Dfl40m (1994)
- approximately 180 employees.

Carlton Beck Limited
- international specialists in creating exhibitions and interiors for museums, visitor centres and other special environments
- turnover approximately £3.6m (1994)
- approximately 20 employees.

Carlton Benbow Contracts Limited
- long established in shopfitting, interiors contracting, specialist joinery and architectural metalwork for a wide range of high profile clients
- turnover approximately £6.4m (1994)
- approximately 130 employees
- opportunity to acquire related electrical contractor, BC Electrical Limited.

Clements & Street Limited
- designers and builders of custom made exhibition stands for large corporate clients
- turnover approximately £5m (1994)
- approximately 50 employees.

For further information and sales particulars, please contact Jonathan Wackett at Coopers & Lybrand, Albion Court, 5 Albion Place, Leeds LS1 6JP, quoting reference (JRW/PJC/SMH400). Telephone: (0532) 431343. Fax: (0532) 438260. If telephoning please ask for Diana Wooding ext 3201.

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- *Turnover for year to 31 March 1994, £890,000*

For further details please contact Mr C K Rayment, Ernst & Young, 400 Capability Green, Luton, Bedfordshire LU1 3LU.

Telephone: 0582 400 700. Facsimile: 0582 404 098.

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Principal features of the business include:

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- CAD, woodworking and veneering plant, machinery and equipment
- broad customer base and extensive mailing list
- freehold and long leasehold factory and showroom units in Leeds
- turnover 1993/94 circa £720,000.

For further details, please contact Edward Klempka or Howard Smith at Coopers & Lybrand, Albion Court, 5 Albion Place, Leeds LS1 6JP. Telephone: (0532) 431343. Fax: (0532) 434567.

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For further information, please contact the Joint Administrative Receiver, Ian Bond or James Bradney at Coopers & Lybrand, St. Andrew's House, 20 St. Andrew Street, London EC4A 3AY. Telephone: (071) 212 6270. Fax: (071) 212 6800.

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TECHNOLOGY

INTERNATIONAL AIDS CONFERENCE

Explosive growth in infection stalks Asia

Paul Abrahams highlights the most recent findings

Aids

The terrifying epidemiological context of the 10th International Conference on Aids, which yesterday had its first full day, was set out by Michael Merson, executive director of the World Health Organisation's global programme on Aids.

In spite of the efforts of governments and agencies, 3m people worldwide were infected with HIV during the last 12 months, said Merson. By conservative estimates that makes 17m people.

Nearly 60 per cent of all infections – more than 10m – were in sub-Saharan Africa, he said. In the Masaka district of Uganda, Aids accounts for nearly half of all deaths. In young adults under 35, only one death in 10 is not HIV-related.

In Asia the rate of growth of HIV prevalence was alarming, Merson said. Since the Aids conference in Berlin last year, more than 1m people have been infected by HIV in south and south-east Asia alone.

In Thailand, infections had increased tenfold since 1990. About 4 per cent of all military recruits in that country are infected and 1.5 per cent of women attending ante-natal clinics. In Chiang Rai, northern Thailand, 20 per cent of young men and 8 per cent of women are infected.

As for the disease rather than infection, 1m cases had been reported in 190 countries. Merson said that was an underestimate. He estimated that about 4m had developed the disease by June this year – an increase of 60 per cent on the same period last year. He warned that the World Health Organisation expected the cumulative total to reach 10m people by the end of the decade.

Merson warned that governments should not use costs as an excuse for inaction. "Implementing basic prevention programmes in Asia would cost between $750m (£484m) and $1.5bn and could prevent 5m infections by 2000.

"The economic benefit that could result from prevention on such a scale is difficult to estimate, but it is massive in comparison with the investment needed. For Thailand alone the cost of Aids and HIV will be $11bn," said Merson.

Public health campaigns have had an effect. In Thailand such programmes were achieving impressive results. A sharp rise in the use of condoms had led to a 77 per cent fall in reports of sexually transmitted disease between 1986 and 1993. Efforts in Harare, Zimbabwe's capital, had led to a 63 per cent fall between 1990 and 1993.

With the Aids epidemic gathering pace – 10 years after the discovery of HIV and its role in Aids – there was a rising pessimism among patients and frustration among scientists about how to defeat the virus, said Bob Gallo of the US National Cancer Institute.

Present therapies are clearly inadequate. The difficulties of treating HIV with anti-retrovirals, the only drugs licensed for HIV, such as Wellcome's AZT and Bristol-Myers Squibb's ddI, were outlined by Stefano Vella of the Instituto Superiore Di Sanéta in Italy.

Vella explained the advantages of treating HIV-positive individuals before they developed Aids symptoms. Although most infected individuals show no symptoms, the latent disease nevertheless continues to destroy the lymph system.

The problem, Vella explained, was that the Anglo-French Concorde study and more recently the ACTG 019 trial showed that the long-term benefit of using anti-retrovirals such as AZT was at best transient.

The pessimism surrounding AZT was similar to that which surrounded streptomycin, a tuberculosis drug, in the early 1950s. One medical journal argued that the drug was ineffective; in fact it worked but needed to be used in combination with others.

"We are now turning to combination therapy for HIV and Aids. That is the obvious future for treatment. It's obvious today; it wasn't a few years ago," Vella said.

Preliminary results from a study, called ACTG 229, showed that AZT when used with Roche's ddC and another Roche drug Saquinavir, was more effective than therapies using one or two drugs.

Such triple therapy should be given early, and preferably to patients who had not had AZT before and so had not built up resistance to the drug, said Vella. When patients had had no previous therapy, the amount of virus in the blood fell to zero, and the patient's CD4 count – a measure of the performance of the immune system – rose.

Most importantly, by combining the drugs there appeared to be a delay in the ability of the virus to build up resistance to AZT and Saquinavir. Vella stressed the data was preliminary, but encouraging.

These theories and possible treatments remain far beyond the financial means of the vast majority of HIV-positive individuals.

An example of the plight of such people was given by Mohamed Hasan, chairman of the Arab International Centre for Fighting Aids in Cairo.

His paper *Sexual behaviour of inhabitants of cemeteries in Cairo* was a model of its kind. He interviewed 930 adolescents and young adults living in the small cemetery courtyards of Cairo. Hasan found 42 per cent of girls were sexually active by the age of 14. About 5 per cent were HIV-positive. For them any progress in high-tech retrovirals announced this week will simply be academic.

A conveyor belt carries workers along the line with the car, instead of trotting to keep with the car as it moves along the line

Helping to ease the daily grind

Toyota is using automation to aid its workers, rather than replace them, writes **Michiyo Nakamoto**

Ever since Henry Ford devised a system to mass produce cars, manufacturers worldwide have struggled with the problem of how to make the grind of the factory-line both efficient and worker-friendly.

Toyota, the world's second largest car maker, believes it has found something close to the ideal in a system it has devised which aims to combine the optimum level of human labour and automation.

First crystallised at Toyota's factory in Kyushu, which began operating last year, the company's latest thinking on the production process also formed the basis for a recent revamping of the Motomachi factory where it manufactures its popular recreational vehicle, RAV4.

The philosophy behind the production process adopted at Kyushu and Motomachi stems from the conviction that human labour is best suited to fulfilling the demanding task of assembly, the last stage of the manufacturing process where the manufacturer has its closest contact point with the customer.

"In manufacturing, there needs to be a kind of communication between the maker of the product and those who use it," explains Mikio Kitano, a Toyota director in charge of production engineering. This communication is important for car makers to ascertain whether their cars are made to meet the needs of their customers, Kitano believes. Hence the importance of having workers, who can represent customers, in control of the assembly process. Only human employees can really tell if a door fits perfectly or if the steering wheel feels right, Kitano says.

At Motomachi, although assembly is the most labour-intensive part of the production process, there are no large, sophisticated robots visible in the assembly area. Instead, workers appear to be doing most of the work with the help of simple machines.

"It is sad to leave everything up to automation and not be fully involved in the work," notes Kitano. "People have to be the centre of the work."

At Motomachi, the assembly line where the car's wiring is installed employs about 20 people, each with his assigned tasks, involving very little automation.

This apparently greater reliance on human labour, however, does not mean that machines are shunned altogether. Automation is used as liberally at Motomachi as at Toyota's most highly automated factory in Tahara, in central Japan.

The 30 processes that are automated at Tahara are also mostly automated at Motomachi, Kitano points out. "Overall, the level of automation is about the same, but the kind of automation that is used is different."

Instead of the vast, supposedly intelligent robots found in highly automated factories, the machines used at Motomachi are designed to perform specific and relatively limited functions to help the workers.

"My belief is that where people find it uncomfortable to do the work, it should be left up to machines," Kitano says. "The main purpose of automation is to relieve the burden on the workers."

In a further attempt to make assembly work more satisfying, Toyota has divided the work into groups, with a team in charge of each group of tasks. At Motomachi, assembly does not take place on a long assembly line from start to finish, with each worker doing several, unrelated tasks. Instead, the process has been divided into five lines according to different functions or sections of the car. The intention is to give workers a stronger feeling that they have made an important contribution to the manufacturing of the car.

A conveyor belt now carries the workers along the line with the car they are working on, instead of trotting to keep up with the car as it moves down the line.

This latest approach to the manufacturing process that Toyota has adopted is in striking contrast to the dominant thinking of a few years ago that propelled many car makers into sophisticated and costly automation.

Toyota was not an exception to the trend. In 1991, it, too, built a highly automated factory in Tahara at great cost and installed robots and sophisticated machines.

However, it soon discovered that placing too much importance on machines was a mistake. Not only did the need for specialists to run and maintain the high-tech machines mean that automation did not achieve its main goal of cutting labour costs, but those workers who had always worked at the factory felt intimidated by sophisticated machines they could not operate.

Automation also led to many mechanical problems as Toyota discovered that "machines break down easily", Kitano says. By restricting machines to those that make work easier for the workers, Toyota was also able to revamp Motomachi at considerably less cost than at Tahara. Automation at Motomachi cost the company a third of what it cost at Tahara, Kitano notes.

Another simple idea has enabled Toyota to realise the same effect as a highly automated line at a fraction of the cost. At Tahara, the lines raise and lower the cars at different stages of the manufacturing process, so that the workers no longer have to bend or stretch.

Introducing that system wholesale into Motomachi would have been expensive. But rather than give up the idea, Toyota raised the floors with planks to elevate workers at certain points and trenches were built to lower them at others.

"Personnel costs are not that different at the three plants, so the difference in the costs of the machines is the difference in the overall costs," Kitano explains.

So far, Motomachi has been a great success, Kitano believes. A doubling of production from an initial 2,000 a month to more than 4,000, due to the popularity of the RAV4, has been achieved smoothly.

The number of workers overall has increased as a result of the production increase, but the number of workers per car has not. "Although such an increase usually results in workers demanding more automation, my workers are not complaining," Kitano says cheerfully.

PEOPLE

Strategic move for London Stock Exchange

The London Stock Exchange, once the English gentleman's bastion, has appointed an American woman, Fields Wicker-Miurin, 36, to the newly created post of director of strategy and finance.

The Exchange is facing increasing competition both at home – from alternative trading systems – and abroad – from other exchanges which are increasingly challenging London's role as the centre of cross-border share-trading. Mike Lawrence, the chief executive, created the position as part of a wide-ranging shake-up at the Exchange and the executive has spent six months seeking a suitable candidate.

"The main challenge is to make sure we can maintain our leading position in European and global securities markets," Wicker-Miurin says, describing her new job.

For Lawrence, described by the City's old guard as "not one of us", the appointment may be a bit of a gamble, although Wicker-Miurin's credentials are impeccable.

A native of North Carolina with an MA in international economics and European studies from Johns Hopkins University, Wicker-Miurin also studied at the Institute d'Etudes Politiques in Paris. She has lived and worked in Europe since February 1987, when she was sent to Luxembourg by Core States Financial, then known as Philadelphia National Bank, to establish a European operation.'

Core States, a large regional US bank, then had the same aspirations of many large American commercial banks to use their correspondent banking relationships to build a distribution base for commercial paper and other types of securities. Core States, like many of its competitors, found the strategy simply wrong and the bank withdrew.

But Wicker-Miurin stayed, and signed on as a strategy consultant with Strategic Planning Consultants, now part of Mercer Management Consultants where her clients were leading UK and international investment banks and insurance companies.

■ **Isaac Rubin**, md of Policy Portfolio, has been appointed chairman of The ASSOCIATION OF POLICY MARKET MAKERS.

■ **Ian Nicholson**, export director of Halls Garden Products, has been elected chairman of GARDENEX (the Federation of Garden & Leisure Manufacturers).

■ **David Thomas**, md of ASSI Packaging in the UK, has been elected president of FEFCO, the European Federation of Corrugated Board Manufacturers.

■ ***Sir Derek Hornby*** (below), former chairman of Rank Xerox (UK) and a member of British Rail's board for five years, has been appointed chairman of London & Continental Railways.

The company is bidding to acquire European Passenger Services and Union Railways, to provide international and local passenger services and to build and operate the fast link from London to the Channel tunnel.

Board shuffles at Flagstone

Kevin Leech has been appointed chairman of Flagstone Holdings, the USM-traded leisure company, which last week reported a big drop in 1993/94 losses. Leech has exercised his option to purchase 20 per cent of the company from David Kirch for £2.2m, equivalent to 1.5p per share. Flagstone shares closed ½p higher at 2p yesterday.

Kirch's interests on the board are represented by Kenneth Ineson, who is away from the UK. Kirch has undertaken to procure Ineson's resignation on his return.

Under the board reorganisation, Stuart Sim, group finance director of ML Laboratories who was yesterday also appointed deputy chief executive, has been appointed a non-executive director; John Harding and Andrew Duquemin have resigned.

Sim says Leech would be reviewing the company strategy and taking a "hands on" approach to the growth of the business which, he says, has just returned to a "modest level of profitability".

■ **Roger Garner** has been appointed director of telecommunications at BRITISH GAS Transco; he moves from Galileo.

■ **Nick Smith** has been appointed md of Sekonda, and Julian Pollock md of the Apollo Group (retail sales division), both TIME PRODUCTS subsidiaries.

■ **Ken Mullen**, formerly company secretary at Whessoe, has been appointed group company secretary and legal counsel at FARNELL ELECTRONICS.

■ **Philip Green**, formerly company secretary at British Aerospace Space Systems, has been appointed group company secretary at MEGGITT on the retirement of Malcolm Shaw.

■ **Andrew Purvis** has been promoted to sales director of NT Security, part of NEWMAN TONKS.

■ **Caroline Cousins**, corporate affairs executive at P&O and a former director of Earls Court Olympia's event organising company, at EARLS COURT OLYMPIA.

Philip Wroughton: hotly tipped

Old Etonian Philip Wroughton, a former High Sheriff of Berkshire, is having a rather good August. Last week he was elected vice chairman of Marsh & McLennan Companies, the biggest and most respected of the world's insurance brokers, and a day later his new racehorse, Landlord, won its first race at London's Kempton Park.

It may be the last race that Wroughton watches for some time. As chairman of C.T. Bowring and a member of the Council of Lloyd's, he will be required to divide most of his time between New York and London in his new job as *de facto* number two to Ian Smith, 60, who took over as Marsh & McLennan's chairman just over two years ago.

Wroughton, 61, who joined Bowring in 1961, has stepped down as chairman of Marsh & McLennan Inc. parent of the group's worldwide insurance broking operations, and will be responsible for developing and pursuing new growth opportunities in insurance and reinsurance broking businesses.

He will work closely with the heads of Marsh & McLennan Inc, Guy Carpenter, Seabury & Smith and Frizell Financial Services.

Although there is a reasonably strict separation between insurance and reinsurance operations in the US, it is not as delineated in other markets around the world. There are "significant opportunities for working more closely together", says Wroughton, who will be Smith's senior adviser on insurance matters.

Wroughton's promotion helps fill a gap which has existed since earlier this year when Robert Clements, 61, stepped down as the group's president in order to concentrate on running Marsh & McLennan Risk Capital Corporation which was set up in 1992 to help alleviate shortages in insurance underwriting capacity.

Clements had been vice chairman for a brief period before becoming president in 1992.

ARTS

Agongo: an opera in the making

Jane Mulvagh reports on Damien Hirst's first venture into this medium

Live rats suspended in a cage, a snake and an indefinable embryo – Damien Hirst, the enfant terrible of contemporary British sculpture, is at it again. This time, however, his chosen medium is opera. Firefly Productions, a new young multi-media creative team, presents the overture and finale of its new opera *Agongo* at the Edinburgh Festival next Sunday alongside Hirst's installation for the piece.

The opera preview, at the Demarco European Arts Foundation, is part of Firefly's drive to raise £300,000 to complete the production. Its full-length debut is to be held at the Union Chapel, Islington, in May next year and there are plans to take it to Berlin, New York, Venice and Sydney.

Firefly Productions is the brain-child of young art dealer Daniel Moynihan, who has commissioned talents from across the range of the arts to create an opera based on an environmental short story he wrote 15 years ago. The music is by Mark Springer and Sarah Sarhandi. Piano and viola performers respectively, Springer and Sarhandi set up the high-energy band Rip, Rig and Panic, which has recorded with Virgin Records. The sets are by Hirst; the costumes by Japanese fashion designer, Kohji Tatsuno; and Julian Hope, with experience at Glyndebourne and the Welsh National Opera, will direct. Hope's influence will, it is suggested, temper the assortment of radical talents to meet the inter-disciplinary rigours of opera.

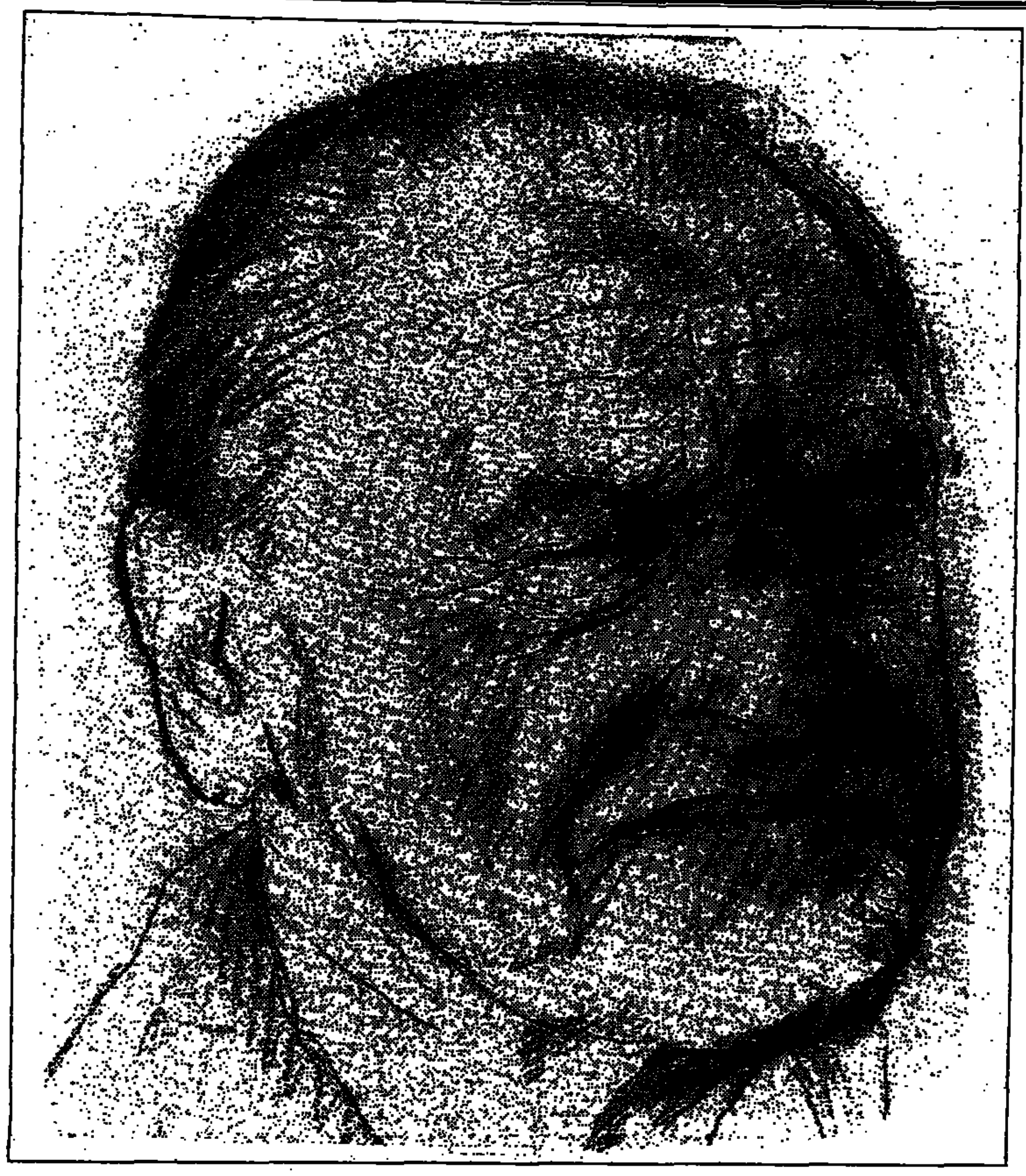
The Edinburgh taster suggests that Hirst's visceral observations on modern life and Moynihan's bleak libretto will be counterbalanced by the beautiful lyricism of Springer and Sarhandi's score. In a 35 square foot room the viewer will walk round a 25 square foot cage suspended at head height.

The cage confines live rats bedded down in bottles and is suspended over, but cut off from, a verdant jungle beneath which an indefinable embryo struggles to be born.

A series of neon-lit images – a snake, a capsule, a tablet – hang on the walls and the 15 minute experience is supported by a synchronised light show "playing to" the overture and finale. According to Moynihan, the opera's theme dwells on man's mindless adherence to tyrants who exploit any belief – science, medicine, environmentalism – for self-aggrandisement. A tribal chief, Agongo, is in the thrall of a dwarf who controls the tribe by metamorphosing from witch doctor to Russian general and finally to western surgeon, wreaking havoc with broken promises.

The music fuses conventional instruments with sounds of the jungle and the industrial world. Sections of the score focus on solo players – a clarinet plays over the dawn chorus, for example – while the libretto includes confrontational raps, with one singer chanting a mantra of diseases in Latin while another retorts with surgical and pharmaceutical palliatives to the accompaniment of respirator machines. Neither side is granted victory, but there is hope that Agongo may become a "green" man.

This cautiously proselytising work is targeted at the kind of audience which might attend Philip Glass operas or Michael Clark ballets and Moynihan hopes that commercial sponsors – fashion labels or ice cream brands, perhaps – eager to ally themselves to modish issues and target a specific age group and lifestyle, might see marketing benefits here.



A portrait may indicate the wealth or status of a sitter, offer a fair likeness, and also reveal something of his or her character: Somerset Maugham by Graham Sutherland (left) and Lord Goodman by Lucian Freud

Portraiture seen in its own right

At the National Portrait Gallery **Susan Moore** is drawn to the faces for clues to history

A national portrait collection is unlike any other art gallery. Here, it is the subject of a work of art that counts; artistic merit a happy accident. As the aspiring young British history painter Benjamin Robert Haydon put it in 1817: "Portraiture is always independent of art and has little or nothing to do with it."

A portrait may easily indicate the wealth or status of a sitter, and offer a fair likeness. It may also reveal something of his or her character. The Romantic notion of the genius artist as uniquely capable of divining and representing the essence of an individual lingers on. We scan faces for clues to history.

Where better to search for clues than in portrait drawings, the most immediate – and often the most intimate – response of artist to sitter? Some 100 rarely exhibited drawings from the collection of the National Portrait Gallery in London have returned home from a North American tour and a selection is now on show in St Martin's Place. This disparate display, ranging from Nicholas Hilliard's keep-sake iconic miniature of the Virgin Queen to Kitaj's pastel of the art historical knight Ernst Gombrich, is utterly compelling. Unlike other exhibitions, the captions are almost as rewarding as the works of art.

At one extreme is the slick, formulaic chalk of Charles Dickens by one Samuel Laurence, the quintessential anodyne portrait that tells us nothing but shows that, in terms of portraiture, the great and the good do not invariably get their just deserts. In contrast, the 18th century poet William Cowper could not have hoped for a more sympathetic recording angel than George Romney.

Romney considered this rare pastel as the nearest he had come to a perfect representation of life and character, and had taken great pains to express what he had often witnessed, "the poet's eye in a fine frenzy rolling". That said, informal attire – no wig – and the suggestion of a keen, nervous sensibility (Cowper was a manic depressive) were conventions widely applied to the portraits of writers and artists of the period.

No lesser witness to the 18th century physiognomist's premise that character can be read in a face is the head of Somerset Maugham. Graham Sutherland offers an incisive analysis of the hard, thin lines that scour and sour the writer's face. Sutherland spoke of dovetailing the diverse and complex forms into a single rhythm that suggested "the maximum action in repose". In Lucian Freud's no less impressive study of the recumbent Arnold Goodman, scrutiny of form appears an end in itself. This is not a portrait of a distinguished law lord. From Freud's peculiar vantage point, Lord Goodman's head is simply an intriguing mass of fleshy folds, crags and cavernous nostrils complemented by wisps of untamed hair.

Freud could never be accused of flattering his sitters. Not so Henry Lamb, who perhaps can be forgiven his outrageous if tentative idealisation of the Hapsburg features of his formidable mistress, Lady Ottoline Morrell. (John Singer Sargent, a seasoned hand at phiz-mongering, animated the mannish features of the composer Dame Ethel Smyth by imploring her to sing the "most desperately exciting songs" she knew.) Elsewhere there is ample evidence of the advantages of some intimacy between artist and sitter. In the presence of Gwen Raverat, known since childhood, a young John Maynard Keynes sits reading, relaxed and oblivious to the artist's intent gaze. William Holman Hunt described his pencil portrait by Millais as "totally different from all other sketches which my friends have done being unlike either a murderer, or a beer drinking pickpocket." Edward Burney's watercolour of his older musician brother, Charles, playing the fiddle, is an astonishingly tender expression of fraternal affection.

Ultimately, it is only in the self-portrait that the artist is both intimately familiar with his subject and under no obligation to pull his punches. We detect an old man's apprehension in the touchingly direct chalk on blue paper of the 70-year-old portrait painter, art theorist and collector Jonathan Richardson the Elder. Sir George Hayter belongs more to the Albrecht Dürer school of self-portraiture. Arm in a sling after a riding accident, he cuts a romantic figure in his vaguely exotic dress, languidly puffing on an oriental pipe.

David Bomberg, in contrast, is quite sure that he does not like what he sees in the mirror.

The exhibition, sponsored by Philip Mould, Historical Portraits, continues until October 23.

The Proms

A lost 'Cry' from the past

There was a double Prom on Friday, and its late second concert attracted many new arrivals after the first: not the usual way around. That was because the second concert consisted entirely of Giles Swayne's 1979 *Cry*, eighty minutes' worth of 28 amplified voices – the BBC Singers – being put sonorously, slowly and meditatively through quite difficult hoops.

Cry is, or was, almost a "cult" piece. By the late 1970s, Swayne was not the only composer to feel disillusioned with academic music (mostly post-serialism then) and with avant-garde coteries. After flirting with rock, he found his inspiration in the folk music of Africa, where he has since gone to live. The outcome was *Cry*, a musical "creation-myth" which rejected the formal devices of Western music in favour of vocalisation and native rhythms.

Originally it depended exclusively upon the voices. A 1980 version made use of amplification, and a 1982 one subjected the voices to electronic "treatment" as well, revised for the 1983 Prom performance. That was the form in which *Cry* made its famous impact: a suggestive hubbub of voices with a slow rate of change, rendered monumental and even magical by state-of-the-art electronics.

It has not worn well. As aids to meditation for non-specialist audiences (probably stoned), long minimalist pieces have the advantage of instant familiarity; for "visionary" appeal, Tavener and Gorecki have achieved more with simple Western harmonies. The special sounds of *Cry* are not so special now. (Nor, this time round, did they seem so haunting: high sopranos in *forte* wore a hard amplified glare, and the intricate subsidiary voices were often not enhanced but muddied by the electronics.) Above all, *Cry* seems innocent of any structure that would sustain its ambitious length.

The earlier concert, if more Western-conventional, was happier. Kent Nagano conducted the Hallé Orchestra in a programme that ran from Elgar to Berg, and showed how well he and the Manchester band understand each other now. *If Elgar's Introduction and* Allegro for strings sounded unwontedly vehement, that was more interesting than the languid glow that some conductors think right for it; and Berg's extremely difficult Three Pieces were handled with great subtlety and delicacy, despite the huge thwack at the end.

In Mahler's *Lieder eines fahrenden Gesellen* the soloist was Hakan Hagegard, whose baritone had a raw expressive edge that sounded wonderfully apt for all that innocent pain. These are songs that too often get ultra-smooth, cultivated treatment. As for Vaughan Williams' *Sinfonia antartica*, which shows all the marks of the film-music (for *Scott of the Antarctic*) from which the 80-year-old composer developed it, it makes a pleasant, kitschy, undemanding listen. Susan Gritton's wordless soprano was a positive asset.

David Murray

INTERNATIONAL
ARTS GUIDE

■ AMSTERDAM

Concertgebouw Tonight: Jun'Ichi Hirokami conducts National Youth Orchestra of Scotland in works by Stravinsky, Ibert and Tchaikovsky, with flute soloist William Bennett. Thurs: Nikolay Luganski and Oxana Jablonskaya in a duo piano recital. Sat: Dmitri Sitkovetsky is conductor and violin soloist with New European Strings. Sun: Moscow Chamber Orchestra plays Arensky, Liszt, Stravinsky and Tchaikovsky. Next Mon: Kreisler String Orchestra plays Shostakovich, Britten and Dvorak, with soprano Claron McFadden (24-hour information service 020-675 4411, ticket reservations 020-671 8345)

■ ATHENS

ATHENS FESTIVAL
State Theatre of Northern Greece presents Dimitrios Byzantios' Babylonia on Fri and Sat at the Odeon of Herodes Atticus. Highlights later in the festival include National Theatre of Greece's production of Aristophanes' Plutus on Aug 20 and 21, Yevgeny Kissin piano recital on Aug 22, Seiji Ozawa and the Saito Kinen Orchestra on Aug 24, the Kirov Ballet from Aug 31 to Sep 4, Riccardo Muti and the Vienna Philharmonic on Sep 6 and 7, and the Lyon Opera Ballet from Sep 9 to 13 (Athens Festival box office, 4 Stadiou Street, in the arcade. Tel 01-322 1459/01-322 3111. Open Mon-Sat 8.30-14.00 and 17.00-19.00, and Sun 10.30-13.00)

EPIDAURUS FESTIVAL
The annual festival of ancient drama in the 1,400-seat amphitheatre at Epidaurus hosts performances of Greek classical drama on most weekends throughout the summer. Art Theatre of Karolos Koun presents Aristophanes' Plutus on Sat and Sun, followed on Aug 20 and 21 by Cyprus Theatre Organisation's production of Aristophanes' The Birds. Tickets are available daily at the Athens Festival box office or the theatre of Epidaurus on Fri, Sat and Sun (0753-22006)

■ CHICAGO

RAVINIA FESTIVAL
Tonight: Los Lobos. Tomorrow: The Neville Brothers. Thurs: Midori violin recital. Fri: Riccardo Chailly conducts Chicago Symphony Orchestra in works by Gershwin, Glass and Dvorak, with violin soloist Gidon Kremer. Sat: Chailly conducts Stravinsky, Chopin, Debussy and Ravel, with piano soloist Eldar Nebolsin. Sun: Chailly conducts Mahler's Seventh Symphony. Mon: Florence Quivar song recital. Aug 17 and 18: Pinchas Zukerman. Aug 19: Yo Yo Ma. The festival runs till August 28. Ravinia is situated in Highland Park, within easy reach of downtown Chicago by train, bus or car. To order tickets by phone, call 312-ravinia. Outside the metropolitan Chicago area, call 1-800-433-8819. Tickets can be ordered by fax 24 hours a day: 708-433 4582.

THEATRE
● Jeffrey: as part of their Pride Performance series of gay and lesbian theatre, Bailiwick Repertory presents the Chicago premiere of Paul Rudnick's hit comedy about love and dating in the age of Aids (Bailiwick 312-327 5252)
● Talking Heads: Steppenwolf alumnus and famed character actor John Mahoney directs the American premiere of Alan Bennett's tragicomic series of monologues. The cast includes Estelle Parsons (Steppenwolf 312-335 1650)
● Second City: the improvisational comedy craze was born in Chicago, and Second City is still its hub. Catch a comedy revue on the main stage or the company's smaller theatre (Second City 312-337 3992)

■ COPENHAGEN

Tivoli Tomorrow: Gary Bertini conducts Tivoli Symphony Orchestra and Chorus in Mahler's Das Klagende Lied, with vocal soloists Mechthild Gessendorf and Thomas Moser. Thurs: Dmitri Kitaenko conducts Danish Radio Symphony Orchestra in works by Sibelius, Nielsen and Rakhmaninov, with piano soloist Lilya Zilberstein. Sun: Hagen Quartet, with pianist Paul Gulda, plays works by Mozart, Shostakovich and Schumann. Next Mon: Marcello Viotti conducts Tivoli Symphony Orchestra in Strauss and Schubert, with soprano Tina Kiberg. The summer concert season runs till Sep 18 (3315 1012)

■ LONDON

THEATRE
● King Lear: Robert Stephens gives a towering performance in Adrian Noble's RSC production, successfully transferred from Stratford. In repertory with The Merchant of Venice and The Tempest (Barbican 071-836 8891)
● The Miracle Worker: Jenny Seagrove is the beautiful heroine in William Gibson's well-tailored tear-jerker about the blind infant Helen Keller (Comedy 071-369 1731)
● The Seagull: Judi Dench heads a splendid cast in Pam Gems's new version of the Chekhov play (National 071-928 2252)
● Broken Glass: British premiere of Arthur Miller's latest play, in which a woman becomes paralysed although she has no discernible ailments (National 071-928 2252)
● Lady Windermere's Fan: Philip Prowse's glamorous production of Oscar Wilde's 1892 comedy (Albery 071-369 1730)
● The Cryptogram: Lindsay Duncan and Eddie Izzard star in David Mamet's tremendous new play about betrayal (Ambassadors 071-836 1171)
● The Queen and I: Pam Ferris plays the Queen in Sue Townsend's stage version of her bestselling novel, which places the Royal Family on a housing estate (Royal Court 071-730 1745)
● She Loves Me: a delightful West End transfer of Scott Ellis' Broadway revival of the charming 1963 Masteroff, Bock and Harnick musical (Savoy 071-836 8888)
● Crazy for You: after more than a year in the West End, the lavish romantic musical based on Gershwin's Girl Crazy still bursts with energy, humour and style (Prince Edward 071-734 8951)
● Fiddler on the Roof: Topol plays his alter ego Tevye in this short season of the Bock and Harnick musical (London Palladium 071-494 5021)

MUSIC/DANCE
Royal Festival Hall English National Ballet presents Ronald Hynd's production of Coppelia, daily till Sat (071-928 8800)

Royal Albert Hall In tonight's Prom, Peter Maxwell Davies conducts the Philharmonia Orchestra in the world premiere of his Fifth Symphony. The rest of the concert, featuring works by Webern, Sibelius and Beethoven, is conducted by Matthias Bamert. Tomorrow's BBCSO programme is a tribute to Malcolm Sargent, conducted by Vernon Handley, with piano soloist Moura Lympany. Iona Brown brings the Norwegian Chamber Orchestra to the Proms on Thurs, followed by the BBC Concert Orchestra's tribute to Constant Lambert on Fri. Klaus Tennstedt conducts the LPO in Britten and Beethoven on Sat, and the second of this week's world premieres is John Tavener's The Apocalypse on Sun, conducted by Richard Hickox (071-589 8212)

■ VERONA

This summer's operas are Norma, Otello, La boheme, Aida and Nabucco. Placido Domingo sings in a gala performance of operatic extracts tonight, with other soloists including Cecilia Gasdia and Leo Nucci. The season runs till Sep 2 (045-596517)

■ WASHINGTON

● The main summer show at the Kennedy Center is Miss Saigon, the musical love story set during the Vietnam war.
Daily except Mon (202-467 4600)

● Country singer Reba McEntire gives tonight's concert at Wolf Trap, followed tomorrow by jazz saxophonist David Sanborn, plus Preservation Hall Jazz Band on Thurs and Mannheim Steamroller electronic music on Fri.

Next week's programme features the Righteous Brothers, Nanci Griffith and the Wolf Trap Opera Company (703-255 1860)

ARTS GUIDE
Monday: Performing arts guide city by city.
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Wednesday: Festivals guide.
Thursday: Festivals guide.
Friday: Exhibitions Guide.

European Cable and Satellite Business TV
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MONDAY TO FRIDAY
NBC/Super Channel: FT Business Today 1330; FT Business Tonight 1730, 2230

MONDAY
NBC/Super Channel: FT Reports 1230.

TUESDAY
Euronews: FT Reports 0745, 1315, 1545, 1815, 2345

WEDNESDAY
NBC/Super Channel: FT Reports 1230

FRIDAY
NBC/Super Channel: FT Reports 1230
Sky News: FT Reports 0230, 2030

SUNDAY
NBC/Super Channel: FT Reports 2230
Sky News: FT Reports 0430, 1730;

Victims of the past

John Ridding says France's strategy over Algeria is perilous

In a disused army barracks in the village of Folembray, north-east of Paris, 17 Moslem fundamentalists are being detained by the French government. The targets of a French crackdown on Algerian militants following the deaths of five French citizens in Algiers last week, the suspected militants have been served with expulsion orders.

Mr Charles Pasqua, France's hardline interior minister, says the 17 are free to leave as soon as they find a host country willing to take them. But so far, there have been no offers and French government officials said yesterday they had not sought to identify countries which would grant them political asylum.

If the inmates of Folembray find themselves trapped, their detention also symbolises the snare in which French policy towards Algeria is tangled. France's unyielding stance towards Algerian fundamentalists, and its reluctance to deal with moderate Moslems in its former colony, reveals a policy rift with its western partners.

More worrying, the latest crackdown has raised threats of reprisals from Algerian radicals, which some fear could drag France into the bitter and bloody conflict between the military-led regime in Algiers and its Moslem fundamentalist opponents. The conflict has claimed the lives of at least 4,000 Algerians and 56 foreigners over the past two years.

The possibility that France may be drawn ever closer to the crisis was clearly demonstrated at the weekend in a message from the *Islamic Salvation Army* (AIS), a militant grouping which is linked to the Islamic Salvation Front (FIS). The FIS was poised to win general elections in 1992, before they were cancelled by the Algerian government. The Front is now outlawed.

The AIS is demanding the immediate release of the 17 detainees. "The arrest and detention of these brothers means that France has declared war on the FIS and on Algerian Moslems," the statement said. "France should renounce this policy of belligerence or it will assume responsibility for what will happen."

The warning is the first issued to France by Algerian radicals, and the French government is taking it seriously. "There will be no neglect of the threat," said the interior ministry, which responded at the weekend with a tightening of security measures at railway stations, airports and embassies and with high-profile police operations to check the identity papers of motorists.

The response reflects the risks involved. France is anxious to avoid an eruption of violence among its Algerian community, which has so far remained aloof from the conflict in the former French colony. An estimated 1m Algerians live legally in France, with the number pushed higher by illegal immigrants.

One academic Algerian expert believes it is "certainly possible" that fundamentalist guerrilla networks exist and could mount attacks within France.

France has shown itself less willing to develop contacts with Moslem moderates

But France's tough reaction to last week's attack in Algiers also reflects its broader, relatively uncompromising policy over the Algerian crisis. Such a stance has drawn criticism from opponents of France's centre-right government. The Socialist party has urged dialogue with Moslem moderates in Algeria, and has criticised Mr Pasqua's high-handed approach. So far, however, the government's stance appears to have public backing, although some newspapers, such as Le Monde, argue economic aid to Algeria should increasingly be linked to political reforms.

France's strategy has highlighted differences with its western partners, who are more willing to develop contacts with Moslem moderates. One senior US state department official said last week's killings "only reinforce the concern we have that the Algerian government should broaden its political dialogue" to opposition groups that reject violence. By contrast, Mr Pasqua stated that the only choice is between the existing, if flawed, regime and a radical Islamic government. He dismisses as "rubbish" the idea of a moderate Islamic government taking power in Algiers.

The rift has become clearer since the attack on the French embassy building in Algiers. Mr Pasqua accused the UK, the US and Germany of being too lenient towards Moslem fundamentalists on their soil, a charge rejected by France's partners. One French foreign ministry official argued that the US is "still traumatised" by its experience in Iran and is keen to cultivate ties with moderate Islamic leaders.

For France, the prospect of a radical Islamic government in Algiers is of acute concern. In addition to fears shared by other nations of a domino effect across the Maghreb, France is anxious to avoid an influx of thousands of immigrants from its former colony should a radical government come to power.

With unemployment at 12.7 per cent and with anti-immigration parties such as the Front National winning about 10 per cent of the vote in most regional and national elections, a big influx of refugees from Algeria could exacerbate social tensions in France. "It must be a great concern," says one western diplomat in Paris, "particularly if one considers the localised effects in areas such as Marseilles, where there is already a large Algerian and North African community."

France's gamble is that, by providing qualified political support for the existing regime in Algeria and supplying finance to ease its economic plight, this possibility can be avoided. Earlier this year, France agreed to the rescheduling of $5bn of the country's $26bn foreign debt to the Paris Club creditor nations.

The stakes of the gamble, however, are rising ever higher. An upsurge in violence in Algeria since the lull this spring supports the admission of Mr Alain Juppé, French foreign minister, that "the status quo is no longer tenable".

In terms of French policy, last week's attack has made the status quo still harder to maintain. But by treating the Algerian crisis as a security issue, as demonstrated by the latest clampdown, the French government risks creating the instability at home that it is so anxious to avoid.

Patrick Harverson on the likely suitors for the biggest prize among the US television networks

CBS (Can they all Be Serious?)

Mr Laurence Tisch, chairman of CBS, the US television network, could not have been more blunt when he spoke to reporters two weeks ago. "I'm sending a signal to Wall Street," he said. "I want to make it unequivocal ... we have absolutely no intention today of selling CBS."

Wall Street, however, was not listening. Since Mr Tisch's denial that CBS was up for sale rumours have mounted about a possible bid for the television network. Investors anticipating a takeover have bought CBS shares, helping to push the price up almost 9 per cent from its recent low to about $315.

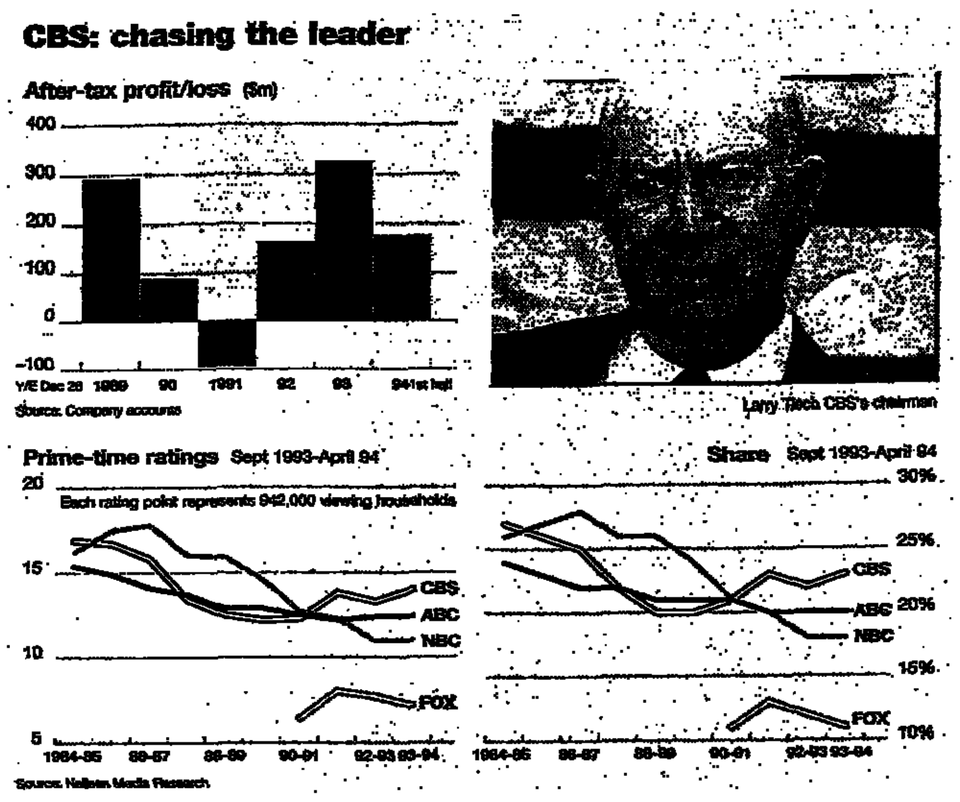
Among those mentioned as possible suitors for CBS are the film and entertainment company Walt Disney, the media magnate Mr Ted Turner, whose Turner Broadcasting System owns cable television channels such as CNN, and Tele-Communications (TCI), the largest US cable television operator.

Of these possible candidates, TCI is regarded as the most likely buyer. The group has said it would be interested in acquiring CBS in partnership with Mr Barry Diller, the entertainment business executive. Mr Diller, currently chairman of QVC Network, the cable television home-shopping channel, has already tried to take control of CBS. But his plans to merge CBS with his company fell through last month after QVC's largest shareholder, the cable group, Comcast Communications, took over QVC.

Speculation about a bid for CBS was intensified by Mr Diller's failed plans – and Mr Tisch, for all his protesting about newspapers recycling "tired" old bid rumours, has inadvertently added to the uncertainty over the television network's future. When he agreed to the merger with Mr Diller's QVC, Mr Tisch made it clear the deal would mark the beginning of the end of his time at CBS. "I've been here eight years now. I've enjoyed it immensely, but there's a time when you sort of move on," said the 71-year-old Mr Tisch.

Now that the merger plan has collapsed, Mr Tisch is having a hard time convincing Wall Street that he is suddenly interested in running CBS again, and maintaining its independence.

Though the failed merger plans triggered talk of CBS's sale, the likelihood is that buyers would anyway have begun circling the television network.



Mr Tisch has turned CBS, once the least successful of the "big three" US networks, into a handsomely profitable business. In 1993, it reported record after-tax profits of $326.2m on sales of $3.5bn. CBS shares rose 53 per cent last year.

Earnings growth has been driven by the core broadcast television group. So successful is CBS's programming, that the network now ranks first in ratings during the daytime, prime-time and late night-time periods, a unique treble. Among its most successful programmes are Late Night with David Letterman, which dominates late evening chat shows, the comedy programme Murphy Brown and drama programmes such as Northern Exposure. The company also owns local television stations and a radio business, both of which make money.

But outsiders also see potential for taking the business into new areas. One of the most common criticisms of Mr Tisch's reign at CBS is that he has been too conservative, choosing to concentrate on mainstream broadcasting. "It's a great brand name, it has a terrific franchise and tremendous distribution capability," says Ms Jessica Reif, an analyst at the Wall Street broking firm Oppenheimer. But she adds: "There's more that can be done – for example, CBS never expanded into cable."

Mr Tisch is also cautious about CBS's finances. He has built up a $1.1bn cash pile which the group last month announced it plans to use to buy back 3.5m of its own shares at $325 a share. The move is seen as defensive strategy to push up its own share price after the failed QVC merger but, according to one industry observer, it illustrates Mr Tisch's "lack of ambition".

Potential buyers can also legitimately ask whether CBS can maintain its ratings supremacy. Some of its most popular prime-time shows are beginning to look a little old, and its sports programming has been hit by the recent loss of the rights to cover American football games to Mr Rupert Murdoch's Fox television network. Another set-back was the departure in April of Mr Jeff Sagansky, the programming executive credited with putting together CBS's successful schedule.

Such potential weaknesses – as well as CBS's current strengths – will be fed into the calculations of possible buyers in the next few months as they decide whether to make an offer. To succeed, a bid would probably cost about $6bn.

But for Mr Diller in particular, that may present a big obstacle because, by himself, he would lack the financial muscle to raise the sums involved. This is where TCI comes in. It could finance a Diller bid – although Mr Jack Malone, TCI chairman, has said he would only do so if Mr Laurence Tisch would sell to them. "If Larry still wants Barry, and Barry still wants Larry, the money can be found," Mr Malone told New Yorker magazine.

There would be logic to such a move. Mr Diller's managerial and programming talents, TCI's cable operations, and CBS's broadcasting franchise would mesh easily.

But although TCI may be the most likely bidder for CBS, others can also see benefits from buying the network. A merger between Disney and CBS would bring together two of the strongest brand names in the US entertainment business. CBS's extraordinary reach across the US (it broadcasts into more than 99 per cent of the country's television-owning households) would provide a distribution network for Disney's entertainment products. But any deal with Disney may be complicated by government rules which restrict links between film studios and television networks – though these rules are due to be relaxed in late 1995.

For the other potential bidder, Turner Broadcasting, there would be obvious benefits in merging a cable programming company with a broadcast network. Mr Turner has never hidden his ambition to run a network but he cannot move without the assent of his company's two main shareholders – TCI and Time Warner – which are unlikely to be so keen on a deal. Time Warner plans to launch its own television broadcast network and TCI would be unwilling to give the go-ahead if it had its own plans for CBS.

The competition building to take over CBS may be ominous. For decades US television was dominated by three broadcasters: CBS, ABC and NBC. Now, with the arrival of a fourth network in the shape of Mr Murdoch's Fox Television, two more newcomers on the horizon (Paramount, like Time Warner, plans its own network), and scores of cable channels providing programming to viewers, the field has become crowded.

As Mr Richard Grand-Jean, president of the specialist investment banking firm Global Film Equity, warns: "You have to ask yourself, with all the programming becoming available over time, if there are not good reasons to be cautious about paying very robust prices for a network."

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Grooming for higher things?

From Mr Neil King.

Sir, In former days that nice Mr Clement Crisp used to tell us all about the ballet. Then he ventured into matters sartorial, although only as regards the Royal Opera House, which might still be regarded as his territory, I suppose. (He would, no doubt, be pleased to learn that I would willingly wear white tie every night at Covent Garden to earn the ticket price rebates suggested by one correspondent, probably with decorations.) Now, however, he appears to have assumed the mantle of your culinary correspondent ("Awful lapse in taste", August 8).

Will he be continuing this foray through the various sections of your illustrious and delightful paper over the forthcoming weeks? Perhaps, my dear Sir, you are grooming him to be your successor.

Neil King,
169a York Way,
Camden Town, London N7 9LN

Language is all at sea

From Mr O K Roed.

Sir, With reference to Mr Jacques Toubon's somewhat quixotic campaign to purify the French language, I recently attended a meeting in Paris where the rather suspect word "leadership" cropped up. When its meaning was queried by one the participants it was quickly translated by another member of the group into the French equivalent of "the chairman's yacht".

O K Roed,
7 rue Jean-Pierre Huberty,
L-1742 Luxembourg

Programme Africa itself wants

From Mr Shadrack Ndam.

Sir, Michael Holman's article on the United Nations Industrial Development Organisation ("UNloved, UNwanted", August 4) misses a number of points about the Industrial Development Decade for Africa (IDDA). It isn't strictly a Unido programme: the African countries themselves want it, are committed to it and are primarily responsible for carrying it out. Moreover, all countries, developed and developing, supported its adoption.

Unquestionably, Africa's industrialisation is a difficult task. But the alternative is one no one would wish for: a continent forever dependent on external aid and intervention. A concentration on Africa's industrialisation is an attempt to get beyond the short-term solutions, and instead, through rising standards of living, to offer longer-term market possibilities for all countries.

Unido's direct resources for IDDA programmes are small, but we give all the support we can. Our main activities are entirely demand oriented – funded through UNDP, bilateral donors, and, increasingly, the private sector itself. We are given this work because we are seen to have skills and resources that are needed for Africa's industrialisation, just as in other parts of the world.

Michael Holman may find this risible, but it is a fact, and it keeps us busy.

I'm sorry he didn't like the 1993 document he quoted. We could provide him with some later ones. In a multi-cultural environment, our prose does tend to get rather heavy, and the style hardly matches A A Milne's. We were compared with Pooh Bear, at least not with Eeyore.

Shadrack Ndam,
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Pay formula to unlock rail dispute

From Professor W P Bradshaw.

Sir, The frustration of the present railway dispute is all the greater because the ingredients exist for a settlement from which all parties can gain. There is considerable scope to increase the productivity of signalmen both by matching staffing on all shifts to present workloads and by treating signalmen more as controllers of the system with greater responsibility for decision-making at times of disruption and for spreading information to users of the system.

With such an upgrading of the role of signalmen in the larger and more modern signal boxes, the number of supervisors could be reduced with significant economy. Looking to the future, the latest electronic technology will open the door to further productivity enhancement.

But the union won't talk about the future until its claim about past productivity has been recognised. The signalmen themselves feel aggrieved because less responsible workers, like those on station platforms, have already benefited from pay restructuring and increased earnings.

There is a way forward which is likely to be acceptable to the union, will unlock discussions about future productivity and will reassure government, which is legitimately concerned that pay settlements above the level of inflation should be self-financing.

This consists of paying to the signalmen a settlement which will amount to something like 5.7 per cent on basic rates. This will consist of the 3.2 per cent already on the table plus a lump sum of about £300. The lump sum would be consolidated into basic rates for one year only. In subsequent years the funding of the lump sum would come, as a first charge, from the new productivity agreement.

As a condition of the offer, the union would give an undertaking to enter into a full-time working party to consider, in detail, the productivity deal, and to conclude those discussions by the end of August. The results would be put to a ballot of all signalmen to be concluded by the end of September.

If some jobs are to be lost, attention will need to be given to providing an attractive severance package but in an industry with a high age profile this should not be difficult.

The risks attached to all parties – government, Railtrack and the union – in the above procedure are small and the undertaking that it would be for the signalmen themselves to ballot on the outcome of the productivity working party will give everyone an incentive to be imaginative in their deliberations.

W P Bradshaw,
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Surprising claim about market testing in efficiency study

From Mr Barry Reamsbottom.

Sir, I have read few government reports that are more damning than the study carried out to determine whether the civil service is getting value for money from its use of consultants ("Whitehall could save £130m on consultants", August 5).

The main findings, that a staggering £500m is being paid out in fees to the private sector for a miserable return of just £12.5m each year, is little short of scandalous and should be fully investigated by the Public Accounts Committee.

I was surprised that the report also claims, on a more positive note, that consultants have been instrumental in the "success" of the central government market testing programme. Is this not the same policy that was deemed to be so "successful" that the recent white paper on the civil service quietly announced that departments and agencies would no longer be obliged to continue with the initiative.

Only under this government could we have had a senior civil servant, Sir Peter Levene, rather than an accountable minister, being fielded to deal with the media and explain away the shocking waste of taxpayers' money. The report shows once again that the government is obsessed with the private sector and cares little that the public servants can often do the same work a lot more cheaply.

Barry Reamsbottom,
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FINANCIAL TIMES
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Tuesday August 9 1994

Freeing Latin American trade

The agreement by the presidents of Argentina, Brazil, Paraguay and Uruguay last week to put in place a customs union from the start of next year is a potentially encouraging development. It is vital, however, that this agreement prove outward-looking, not just towards the rest of Latin America, but towards the world. It is still too early to be sure it will pass that test.

The decision to go ahead with the Mercosur customs union is yet another indication that the region's governments have buried historical rivalries and are trying to turn away from protectionist and statist economic policies. It also gives a symbolic boost to the cause of economic integration in the western hemisphere, however remote that goal remains.

The Mercosur accord – which brings together 190m people in a market worth more than $600bn a year – should secure a relatively open Brazilian economy. For much of Latin America, that may be a more important objective than free trade with the US. Although Mercosur has failed to meet the ambitious goals of free movement of labour, capital and goods initially envisaged by the four governments, the treaty obligations of Mercosur will make it much more difficult for them to return to protectionism.

The fact that a customs union – with a common external tariff regime – has been created should also prove positive. Behind a common tariff, there is no need to formulate complicated rules of origin for imports. These are an inevitable feature of the patchwork of free trade agreements being negotiated in the Americas and also a potentially significant obstacle to trade.

Building block

The agreement has also been framed to allow for future accession – initially on an associate basis – of other countries, such as Bolivia and Chile. It thus has the potential to become the building block, rather than a stumbling block, towards further economic integration.

For all that, the devil of such agreements is in the details – aspects of which are still unclear – and the way governments choose to implement them. Unfortunately, the governments tend to see the creation of trading blocs as an answer to an imaginary dilemma, namely that their economies are trapped between the high technology exporters, on the one hand, and the ultra low-wage economies of Asia, on the other.

The risk is that such a defensive view of trade opportunities will lead to the replication of mistaken import substitution policies at an international level. If barriers to imports are set too high, trade diversion will outweigh trade creation, economic efficiency will deteriorate and export performance falter. This, in turn, will vindicate initial defensiveness and reinforce protectionist sentiment.

Obvious flaws

From this perspective, Mercosur has obvious flaws. The agreement has forced Argentina, for example, to raise its current zero tariff on capital goods imports to between 14 and 16 per cent. An important sector of Argentine industry will be protected from Brazilian competition for a five-year period – worrying because such "temporary" protection often has a way of becoming permanent. Similarly, the car regime provides continued heavy protection for domestic automobile manufacturers.

One worry then is that Mercosur might encourage its members to believe they have an alternative to seeking global competitiveness. Another is that it may make hemispheric integration not easier, but more difficult to achieve. One trade specialist, Ms Nora Lustig at the Brookings Institution in Washington, has suggested the establishment of a regional agency to ensure such accords remain open to third parties. She suggests such an agency should be a central topic at the forthcoming summit of the Americas which President Bill Clinton has called in Miami in December.

The idea is right, but should be taken still further. The aim must not just be to ensure these accords do not raise obstacles to hemispheric economic integration. They must also be consistent with what Latin American countries have most shied away from during the past half century: integrating efficiently with the world economy. Here is an agenda item for the World Trade Organisation.

A choice of large aircraft

The dogfight over which aircraft should replace the Royal Air Force's ageing Hercules transport fleet has so far been mostly confined to snarls and barks. The two combatants – Lockheed, the US manufacturer of the updated Hercules, and British Aerospace, potential partner in the flatly-named European Future Large Aircraft – have mostly settled for emotive newspaper advertising to make their pitch. But the fighting before a cross-departmental Whitehall committee this autumn will probably draw real blood.

Ministers and civil servants have to judge some finely-balanced arguments. Lockheed contends that its latest generation of Hercules, the C-130J, is an evolution of the aircraft which has served the RAF and many other air forces well. Now new technology will cut the crew required, and hence the operating costs, and improve its performance. Better still, from a cash-strapped Ministry of Defence's point of view, the aircraft will be available off the shelf in 1996 at a fixed price.

British Aerospace argues that the Future Large Aircraft will be a more modern design than the Hercules, which will allow it to operate at lower cost over its service life. The FLA will be faster and larger, and so can transport equipment which will not fit into a Hercules. There is also a large worldwide replacement market for Hercules which the FLA could attack.

More parochially, BAe also fears that, if the UK does not back the FLA, the other members of the consortium will proceed anyway but that British companies will be excluded. In particular, BAe may lose its role as wing-maker to the Airbus consortium, with DASA of Germany taking its place.

Competing claims

In sifting these competing claims, the first decision must be: can Britain afford to wait for the FLA to arrive? The current Hercules fleet is showing its age badly. If an accurate assessment shows that the fleet cannot be maintained at a conscionable cost into the next century, then the FLA is simply not an option.

A rigorous examination of the development costs of the FLA, and the lifetime running costs of both aircraft, is also needed. Aerospace manufacturers are notoriously starry-eyed about the final bills for their big ideas. The aircraft which was built for less than manufacturer's initial estimate has yet to fly.

In this Lockheed has a huge advantage, since its aircraft is all but built, and it stands ready to sign a deal at about £25m an aircraft with the MoD. The onus is thus on British Aerospace to prove that its costings are accurate. That must eventually mean that it is prepared to back its pricing of the FLA with its own resources.

Firm order

At a bare minimum that would require a fixed price bid from British Aerospace for a firm order. BAe might also have to underwrite the cost of maintaining the existing Hercules fleet while waiting for the FLA. In return, the MoD might have to agree to stop fiddling with the aircraft's specification, a perennial habit of civil servants which drives up costs of many programmes.

Definite answers to these questions will take time to establish, and BAe is hampered because the final feasibility study for the FLA is not due to be completed before the end of the year. If BAe really thinks that it can provide adequate answers to the testing questions, then it is perhaps justified in arguing for more time to make its case.

It is also true that Airbus Industrie, which would manage the FLA project, has a good recent record. In particular the A340 civil airliner has proved that the consortium can develop an aircraft which has a strong market in relatively short order.

However, in arguing for British participation in the FLA, BAe should be mindful of the risks of fixed-price military contracts to aerospace companies. Hundreds of millions of dollars written-off by McDonnell Douglas on its C-17 jet transporter are a graphic reminder of what can go wrong. It should also remember that it would only be a minority partner in the project and so not fully able to control its own destiny. If BAe is serious about pursuing the FLA, it had better make sure that the terms on which it might settle with the MoD are not ones which the company might live to regret.

What to do when Chaps can't cope

Reform of UK bank settlements procedures aims to reduce risk to the financial system, says **John Gapper**

It is lunchtime on Friday October 13 1995, and a large UK bank is failing. Its capital has been wiped out by the collapse of several big companies and catastrophic falls in markets. As rumours spread through London money markets, its credit dries up, and it starts to lose deposits.

At an emergency meeting attended by the governor of the Bank of England, the bank's board agrees to close the bank at the end of the day so that it can be recapitalised in an orderly way.

But Mr Eddie George, the governor, knows that an even larger problem is looming. He phones Mr Alan Greenspan, chairman of the US Federal Reserve Board, to warn him that London's payment systems are about to grind to a halt.

The difficulty stems from the bank's status as a clearer, one of a privileged breed which has existed in the UK since the 1770s. It is one of 16 which pass £100bn – in large electronic payments and cheques – through the clearing system each day. As well as big UK banks, Citibank, Deutsche Bank and Crédit Lyonnais also have such status.

By lunch the bank owes billions of pounds to other banks in the Clearing House Automated Payment System (Chaps). It has sent them thousands of computer messages authorising immediate payments on behalf of large customers such as quoted companies and financial institutions.

But although the other banks have credited cash to customers' accounts immediately, they have not received the money. That should happen late in the afternoon, when promises are totted up. At that moment, if Bank A owes Bank B £8.1bn and is in turn owed £7.8bn by Bank B, it should pay Bank B £300m.

Mr George has been warned that Bank A is about to refuse to settle. It intends to retain the £8bn it is likely to promise today, until it has received an injection of public money and is certain it can pay.

This could not only cripple another clearer – the nine largest UK banks have only £24bn in equity and reserves – but force suspension of the Chaps system. Currency markets would halt, because 45 per cent of the money passed through Chaps is the sterling half of foreign exchange contracts.

Mr George curses his luck at having come close to avoiding catastrophe, but failing at the last...

This nightmare has two years left to come true. After that, the Bank of England hopes to have banished it to the realm of fantasy. "There is a real but avoidable risk to the financial system, and we could not just sit back and tolerate it," says Ms Merlyn Lowther, the Bank's deputy chief cashier.

The solution which clearing banks have agreed with the Bank involves abolishing net settlement at the end of the day. Banks will instead settle their big payments to each other in full as accounts are credited, so eliminating the hours during which they pile up obligations.

Real Time Gross Settlement (RTGS) should allow regulatory authorities to take a troubled bank out of the system without disrupting others. If it was settling its accounts instantly, it would not owe anything when it was shut down. "It means that when you stop the clock, you can make a clean break. The whole payments system does not have to seize up while you sort out the mess," says Ms Lowther.

Real-time cash settlement could also allow instant settlement of securities contracts. In addition, if all countries achieved real-time settlement, the systems could be linked to eliminate delays in settlement of foreign exchange contracts across time zones.

The latter is a long-held ambition of central bankers since the 1974 collapse of Herstatt, a German bank. Because of different time zones, customers who bought the D-Mark halves of thousands of foreign exchange contracts were left unpaid when the bank collapsed before they were paid the corresponding amounts in dollars through US banks.

For central bankers concerned with payment systems, RTGS sounds like a perfect world. But it is not a one-way bet for the UK clearing banks. They not only face paying more for a service which has been cheap until now, but could have to alter balance sheets in a way that squeezes profit margins.

Further, some central banks, including the US Federal Reserve, operate real-time settlement commercially, charging banks for providing cash to oil the system. Others, such as the Bank of France, have created resentment by trying to impose their blueprint of real-time settlement on commercial banks.

When faced in 1992 with the possibility of being strong-armed into an expensive and difficult new world, some UK bankers argued that settlement was only one of many risks. Thus it was illogical to single it out for attack. A bank takes risks every time it lends cash, or enters a securities contract.

But settlement risk is unlike other forms of banking risk for two reasons. The first is that it is virtually impossible to control who participates in the system. When they lend money, banks can probe the strength of those they are dealing with, either by checking the credit record of a person, or looking up the rating of a company.

But when they clear payments from other banks, it is impossible in practice to carry out such vetting. They must honour instructions from all companies which are customers of a fellow bank. They can impose overall limits on their indebtedness to other banks – a method introduced in Chaps in 1992 – but this is a crude method of limiting risk.

The second unique characteristic of settlement risk is that it is hard to charge appropriately for it. A bank covers the higher risk of lending to a bad borrower by charging more. But when it clears payments from other banks, it is impractical to levy anything other than a flat transaction charge.

These two factors were instrumental in persuading banks to adopt a real-time system in stages from the end of 1995. "Once you establish that real-time settlement is cost-effective, the argument against it is very weak," says Mr Eric Sepkes, a Citibank vice-president who headed negotiations with the Bank of England on behalf of the commercial banks.

Having agreed the principle of RTGS, the UK banks and the Bank of England have only one big issue to resolve. This is how much the Bank will charge participants to cover the running costs of a real-time system. It has promised a charge of "pence rather than pounds" for each of the 40,000 daily Chaps transactions.

Instead of building another system, the banks have adapted Chaps. When it switches to real-time, each payment message between banks will be forwarded electronically to the Bank's computer. This will send back authorisation for the transfer providing that the paying bank has money to cover it.

Rather than the Bank providing this liquidity and charging for it – as in the US – banks will provide it themselves. They will deposit liquid assets such as Treasury bills with the Bank, which will take them as collateral for cash payments made across the system. They will have to have enough collateral to cover settlements at any point in the day.

This has potentially far-reaching consequences for banks because the liquid assets they will deposit with the Bank earn them less interest than do loans to companies or individuals. If the real-time settlement system forces them to buy more liquid assets, it could squeeze their margins.

But the system will give banks an incentive to keep their payment flows even during the day in order to minimise holdings of liquid assets. All banks are working on computerised financial models to ensure that they can manage flows of liquid assets in a real-time system as cheaply as possible.

"At the margin, it may affect banks' profits, but in a sense they have escaped lightly until now because they have not had to provide liquidity," says Mr Charles Bryant, a consultant to the banks' Association for Payment Clearing Services who has co-ordinated development work on RTGS.

By 1996, the Bank of England should thus have eliminated a catastrophic risk to the UK financial system. It would be unlucky to have an accident in the meanwhile. But bankers may at least pause for thought on the four Friday the 13ths before then.

Capitalism must seize the high ground

PERSONAL VIEW

Few would dispute that events in the past few years have demonstrated the practical desirability of markets over socialism. Yet there is good reason to doubt that capitalism's victory is total. Despite the efforts of many great economists, political philosophers, and historians, economic liberty has not captured the moral or high ground in public debate. Thus its security as a system of economic organisation is not guaranteed anywhere in the world.

If economic liberty is valued today, it is rarely because it is considered more just or more proper than any alternative. It is valued primarily on managerial and technical grounds. We feel free to argue about how many "jobs" this or that piece of legislation creates; but we remain squeamish about asking whose property will be used to create these jobs.

An argument over whether there ought to be ceilings on corporate remuneration centres on whether high salaries are economically justifiable, but not on whether government ought to have say over such matters. We might dispute a proposal to force another function on private business on grounds of cost, but not on grounds of the right and wrong uses of private enterprise.

Consider the opinions of men and women whose work affords opportunity for philosophical reflection on morality – the two most prominent being academics and ecclesiastics. How many among them would be willing to attempt a moral defence of private property and free markets? How can the institutions of liberty survive and flourish so long as the moral opinion makers are so overwhelmingly sympathetic to only one side of the debate?

A secure liberty must be based on a firm moral foundation, and yet the moral terminology of contemporary political debate is often secretly at war with liberty. This represents more than linguistic confusion; it represents a danger to the proper exercise of virtue. Advocates of capitalism and economic liberty can and must assume the moral high ground.

So long as economic liberty – and its requisite institutions of private property, free exchange, capital accumulation, contract enforcement – is not backed by a generally held set of norms by which it can be defended, it cannot be sustained long-term. Into the moral vacuum left by capitalism's defenders rush notions hostile to economic liberty, notions drawn largely from the values and vocabularies of interventionism and socialism.

The link between economic liberty and public morality is more than suggestive; it is direct

The link between economic liberty and public morality is more than suggestive; it is direct. A historian would be hard pressed to identify a society with a deep and unyielding respect for the sanctity of private property that did not also have a relatively intact culture. Similarly, cultural decline, family collapse, and widespread secularisation have historically corresponded with statism and socialism.

The moral defence of liberty must make a series of distinctions: between rights and privileges, between society and government, between community and the collective. Rights, society, and community are all part of the natural order of liberty. Privileges, government, and the collective are not entirely separate, but they are essentially different in that they rest on pre-emptive coercion. In the terminology of the public philosopher Albert Jay Nock, what is done by political means should not be confused with what is done by social means.

A moral argument for economic liberty should not shrink from its own logical implications, however politically unfashionable. An imperative against theft and in favour of the security of private property must also suggest caution about taxes above the minimum necessary for the rule of law. Freedom of contract must include the freedom not to contract. Toleration of individual differences must include tolerance for the inequality in wealth that will be the unavoidable result.

It is sometimes said that no one dreams of capitalism. This too must change. Rightly understood, capitalism is the name for the economic component of the natural order of liberty. It means wide ownership of property, fair and equal rules for all, economic security through prosperity, strict adherence to the boundaries of ownership, opportunity for charity, wise use of resources, creativity, growth, development, prosperity, abundance, and, most of all, the economic application of the principle that every human person has dignity and should have that dignity respected. It is a dream worthy of our spiritual imaginations.

Robert A Sirico

Father Sirico is president of the Acton Institute for the study of Religion and Liberty in Grand Rapids, Michigan, US. This article is drawn from his larger monograph "The Moral Foundations of Liberty" (Institute for Economic Affairs, 1994).

OBSERVER

Messing about in boats

■ Who will be the next bigwig to be piped aboard the Alexander, Greek billionaire John Latsis's gin palace?

Former US President George Bush, plus more than a dozen relations and friends, have already been to sea and Russian President Boris Yeltsin stayed on the Alexander when he turned up at Corfu's European Union summit. The word is that Prince Charles accompanied by Princes Harry and William are next in the queue.

Latsis's legendary hospitality consists of lending his guests his yacht, equipped with helicopter, and leaving them to chart their own course.

For Prince Charles, that could mean a stop at Mount Athos, the peninsula off the northern Greek coast inhabited only by Orthodox monks – and indeed only males of any species. The theocratic republic, which enjoys autonomy from Athens, attracts an increasing number of western visitors with a mystical bent. Sounds like just the place for Prince Charles.

Sun, sea, and dung

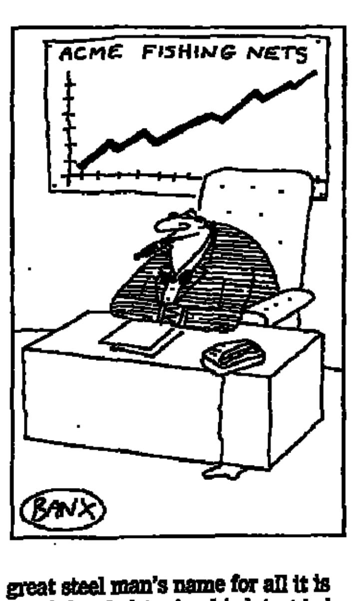
■ A Cologne judge has refused to order a travel company to grant a family a 50 per cent rebate on what they claimed was a particularly malodorous north African holiday. The judge instructed them – as any well-travelled German should have already known – that camel dung and seaweed were not unpredictable hazards of Tunisian beaches.

Roll over Carnegie

■ The UK economy must be on the mend – judging by the number of new (ad)ventures being started by Peter de Savary, the buccaneering yachtsman-cum-businessman who found the last recession more heavy going than most.

Last week Observer reported that de Savary, who was pipped at the buoy in the 1983 America's Cup by Australia's Alan Bond, was planning to invest upwards of $1.5m on a boat to take part in a new international race being planned by the super snooty Royal Yacht Squadron and the New York Yacht Club. Now comes news that he is planning to reopen the 100-room Skibo Castle, Andrew Carnegie's old home in the Scottish highlands, as an upmarket leisure resort.

The local enterprise council has chipped in £0.5m towards the £15m that de Savary is planning to spend on upgrading the property to the style the US steel magnate is accustomed to when entertaining the likes of Edward VII and the Rockefellers. It will, of course, have a few extra facilities such as a fully equipped gymnasium, golf course and beauty therapy centre. No word yet on the cost of membership, but de Savary is planning to milk the



great steel man's name for all it is worth by christening his latest baby the Carnegie Club.

Dirty linen

■ In a burst of would-be efficiency, the Bank of England has for the first time in its history put the building's cleaning contract out to tender. None of the English Mrs Mopses being deemed suitable, the job of dusting down the gold bullion has been farmed out to Denmark's International Service Systems.

If this welcome trend continues, perhaps De La Rue will be allowed to have a go at printing Britain's bank notes.

Daley round

■ Twenty six years of penance is obviously deemed to be sufficient. Chicago is being allowed to host a Democratic National Convention once again which should give the current Mayor Daley a chance to do something towards setting the family record straight.

For it was when his father, "Boss" Daley, was in the mayoral office that city police charged unarmed anti-Vietnam war protestors at the infamous 1968 gathering.

Daley junior has enjoyed nothing like the immense political power wielded by his father, but on this occasion he did have a man in the right place. With his former campaign manager David Wilhelm now chairman of the Democratic National Committee, Daley's city was more than well-placed to secure the prize in 1996. But was he a bit optimistic when he forecast, echoing the words of the late 1960s protestors, that the "whole world will be watching"?

Boxed in

■ The disgraced former president of Brazil is doing his best to resuscitate his old party – but it's nothing if not a challenge. With the National Renewal party trailing at under 1 per cent in the opinion polls, Fernando Collor de Mello, who has been banned from office until the year 2000, made an appearance on TV to aid the flagging campaign of the party's next choice for president, Walter Queiroz. No doubt mindful of a Brazilian law that forbids anyone but the candidate himself appearing in a party political broadcast, Collor made do with just a photo and a voice-over as he railed against the "state mandarins" who had contributed to his downfall.

That was still too much for the courts, who warned him that any repeat sallies on to the box would cost him a year in jail.

But he must nearly have stumbled over Queiroz on the court room steps. The latter has been expelled from the party following allegations that he "forgot" to declare $1.7m in income tax returns, but is fighting to be reinstated.

Well balanced

■ No one can say that former Soviet enterprises released from the shackles of communism are not setting themselves ambitious targets. Passengers on Uzbekistan Airways' regular service between London and Tashkent must be reassured to read a new year wish from Gani Rafikov, the company's director-general: "That the number of take-offs be equal to the number of landings."

FINANCIAL TIMES
Tuesday August 9 1994

NKK set to transfer 1,300 staff

Japan's redundancy safety net scheme gains another customer

By Gordon Cramb in Tokyo

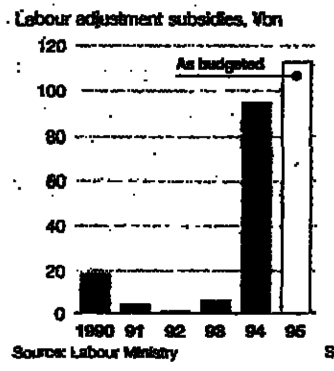
NKK, the lossmaking Japanese steelmaker, announced yesterday it was shedding a further 1,300 jobs.

The workforce had no overt reason for despair. Japan's disavowal of compulsory redundancies means the cuts are to be made, apart from those who wish to retire, within the bounds of a government scheme by transferring staff to affiliates or customers. Those transferred will remain NKK employees and, the company says, will continue to draw their present salaries.

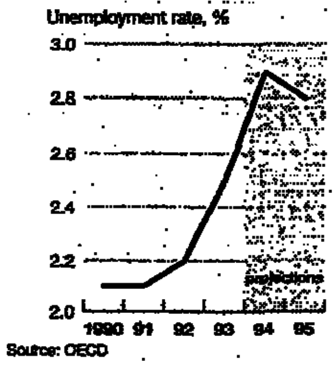
The staff affected are technical workers and white-collar staff who, an NKK official said last night, need not worry about being forced into an inappropriate job. "Accountants will be sent to accounting departments," he said.

If the main disruption to those transferred is that the office to which they bring their lunchbox each day is not the one they have previously known, their experience will be better than most have encountered.

Japan



Source: Labour Ministry



Source: OECD

A survey of 335 large and small companies, released last year, suggested that seven out of 10 secondees departed with no guarantee that they would be able to return to their former workplace once conditions improved.

At least eight in 10 such workers found poorer conditions, such as longer hours and a cut in paid holidays, and fewer than a third were compensated for this by the parent company.

NKK stands to benefit from the secondment only because of the existence of a system, administered by the government but funded by the private sector, which for 20 years has helped smooth the paths of companies which fall on hard times.

The employment adjustment subsidy scheme is due to pay out a record Y112.7bn ($1.1bn) this year to employers in designated industries where sales have dropped from a year earlier. This allows them to take from the offshoot to which a worker is seconded whatever modest salary contribution is agreed, while a central pool pays the larger company up to two-thirds of the wage bill for staff members it has transferred.

Hundreds of thousands of Japanese workers have been asked to move by their employers in the past two recession-hit years.

The reach of the programme has been extended as the domestic economic downturn continues. It now covers more than a quarter of industrial categories recognised by the labour ministry, and the overall payout is more than 100 times the level of three years ago.

Funding the scheme is an "employment insurance contribution" representing 0.35 per cent of wage bills. In spite of previous US protestations, Japan maintains that the income is not a tax, nor are the outgoings an industrial subsidy.

Last week airlines – following cuddly toys and advertising agencies – became the latest sector to qualify for assistance.

Car parts price rise

Continued from Page 1

would be put at risk," says the European Campaign for an Automotive Repair Right, a grouping of independent suppliers and consumer organisations.

They also argue that the ruling could cause great inconvenience to consumers in the UK who are able to ring up glass suppliers, for example, 24 hours a day for repairs on broken windscreens.

"It is not just a matter of cost, it is a matter of flexibility," said Mr David Roycroft, of Pilkington, the UK glass manufacturer.

The carmakers say they should be allowed some sort of protection for parts in order to recoup the costs of investment in design, although the consumer groups counter that those costs are covered in the sale of the vehicle.

The manufacturers also argue that, without design protection, the industry will lose jobs and that quality will suffer.

Peru's First Lady threatens husband's re-election hopes

By Sally Bowen in Lima

Peruvian president Alberto Fujimori's apparently smooth progress towards re-election has encountered an unexpected obstacle – his wife.

Ms Susana Higuchi, who prefers not to use her husband's surname, has moved out of the presidential palace, having formally complained to the attorney-general that legislation prohibiting the president's close relatives from running for office is unconstitutional.

Pressed to say whether she intends to run as a presidential or congressional candidate in next April's election, she replied: "I am thinking about it." However, she will need to make up her mind by October, the deadline for nominations.

Ms Higuchi, like Mr Fujimori, a second-generation Japanese Peruvian and a qualified engineer, argues that the 1993 constitution permits all Peruvians except members of the armed forces to stand for public office.

Ms Higuchi's intention, she says, is to demonstrate "very pragmatically" to Mr Fujimori, "that there exists no channel for a citizen to demand enforcement of his constitutional rights".

Ms Higuchi would seem to be correct. Her legal action was rejected by the attorney-general on the grounds that there is no entity in Peru empowered to pronounce on constitutional issues.

That is because her husband dissolved the previous constitutional guarantees tribunal during his April 1992 "self-coup," in which he seized emergency powers, and it has yet to be replaced.

In recent weeks Ms Higuchi has publicly criticised her husband's "authoritarianism" and "blindness to the suffering and poverty" of the majority of the Peruvian population. This weekend, in two television interviews, she made her "differences of ideas" even more explicit.

"The achievements [of this administration] are all in works of infrastructure," she said. "The human factor has been neglected."

As Peruvians wait for Mr Fujimori to confirm whether he will run again, and for former UN secretary-general Mr Javier Pérez de Cuéllar to announce a probable candidacy, all eyes are on Ms Higuchi.

While her husband was a university professor and later, rector, Ms Higuchi, 44, ran a successful civil engineering business and brought up four children.

Most observers expected her to play a prominent role once her husband was elected president. But she never progressed beyond the traditional role of First Lady, for example, fundraising for needy children. She has made clear she does not wish to continue with this role.

THE LEX COLUMN

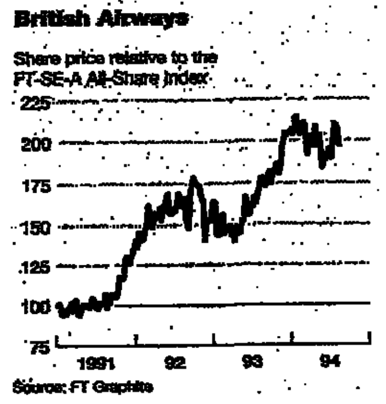
Smith's short sight

Even by the standards of 1988, when countless companies struck deals their shareholders lived to regret, Smith & Nephew's acquisition of Ioptex was an expensive blunder. At the exchange rates then prevailing it paid £140m for a company that is now being sold for just £11m. After writing-down the company's assets, there is a total loss of £148m which represents almost three years' dividends and a third of shareholders' funds.

In retrospect the acquisition was breathtakingly risky. Smith & Nephew paid over five times annual sales for the number four player in a market that was fast going ex-growth. The deal was so structured that despite the high price the acquisition would not dilute earnings in the first year. Maybe the ingenuity of the financial engineering blinded management to the dangers. They should certainly have questioned whether margins approaching 45 per cent were sustainable in a mature US market, or whether Smith could add anything to Ioptex's attempts to expand internationally. It was dismissing the regulatory threat that was to prove most damaging, since the price controls placed on some lenses by the US authorities 18 months later were a blow from which Ioptex never really recovered.

Smith stresses that all its other US acquisitions have been successful and that it has learned hard lessons from Ioptex. If this reassures shareholders, who have seen dividends rise by just 15 per cent over the past five years, they may still wonder why over the same period the pay of Smith & Nephew's successive chief executives has doubled.

FT-SE Index: 3171.9 (+4.4)



Source: FT Graphite

UK economy

Yesterday's economic data leave the debate about UK inflation as confused as ever. Input prices are growing faster than output prices, although an annual rate of 2.9 per cent hardly amounts to hyper-inflation. Consumer borrowing is up sharply on a net basis, though a large part of the jump seems to reflect a slowdown in repayments. Gross lending in June scarcely rose at all and gross lending on credit cards actually fell. Taken together the figures can thus be construed as offering comfort both to those who argue that inflationary pressures are building up in the economy and to those who claim that price pressures are likely to remain muted.

Yet it would be naive to assume that the economy can continue growing as fast as it is without inflation eventually accelerating again. For the time being higher volumes will continue to offset the impact of raw material price increases on unit costs. The slowdown in credit repayment could be a sign that April's tax rises are hurting consumers. While wage rises remain restrained, they are likely to remain price conscious. But if the authorities wait till wage pressure returns, it will be too late for a pre-emptive strike.

UK property

The long queue of investors for Pillar's flotation says more about the company than the state of the wider property market. Despite the brightening economic prospects, there is still little sign of rising rents. The latest survey evidence points to falling capital values in retail, office and industrial sectors. Anecdotal evidence suggests institutional investors pulled back from direct investment in property during the second quarter. This may have been caused by falling equity and bond markets, which tended to push property weightings higher even without action. Pension funds may also be mulling the government's proposed solvency test and asking where property might fit into their portfolios in future.

There seems little chance of another slide in values, especially now that the gilts market has recovered some poise. With property values becalmed, though, stock market investors are looking for companies which can add value to their assets through development or trading. Pillar seems to fit the bill – as did Argent, which saw its flotation oversubscribed in June. At a 5 per cent discount to net assets neither flotation was especially cheap. Indeed, if Pillar and Argent represent fair value at this level it is difficult to see why the less dynamic or well-placed property companies are trading at a similar discount.

British Airways

The 3 per cent fall in British Airways' share price yesterday suggests the market had exaggerated expectations about the effect of economic recovery on its operations. Still, the actual outturn is not bad. BA has managed impressive growth in lucrative premium traffic business. Its more efficient use of aircraft promises enhanced gains as the recovery proceeds.

There are more grounds for worry on strategic alliances. Yesterday's figures suggest dissppointing progress in reducing losses at European associates. BA calculates USAir will contribute around £70m to profits this year whatever happens to its investment in balance sheet terms. The airline could easily afford to write down its stake. Whether it could afford the resulting loss of strategic direction is another matter.

Great Southern

All parties involved in the wrangle over the bidding for Great Southern are agreed on one thing - the proposed solution hammered out by the Takeover Panel and SCI does not disadvantage any group of shareholders. Nor is there any suggestion that SCI's advisers prevented investors getting the best possible deal because of the wording of its "final" offer. Most assumed that the offer was final only on condition that there was no competing, higher bid even though this was not spelled out. Shareholders who asked were told of this. Those who then sold in the market are to be compensated. They can hardly complain.

The main principles of the Takeover Code are not compromised. The proposed solution conforms to the letter of the Code which gives the Panel discretion to allow a final offer to be amended in exceptional circumstances. The question is whether the loose wording was a mistake by SCI's advisers or a tactic. It is hard to believe that an adviser of Schroders' stature would set out blatantly to mislead. Even so, the Panel should guard against setting a precedent.

Minefield offers route between Israel and Jordan

Continued from Page 1

foundations of genuine peace."

"Through open borders and open phones, road links and air links, economic co-operation and security co-ordination Jordan and Israel will, step by step, transform their relations as well as their region." Mr Christopher said later the Rabin-Hussein summit had discussed trilateral Israel-Jordan-US plans for regional development and October's Middle East economic conference in Casablanca, sponsored by King Hassan of Morocco, US president Bill Clinton and Russian president Boris Yeltsin.

Mr Christopher said the conference, expected to bring together more than 1,000 companies with governments to finance Middle East development, would be "a great opportunity to unlock resources" for the regional projects.

Mr Christopher also promised continued US political and economic support to both Israel and Jordan and said the US had written to the Paris Club of creditors to seek debt relief for Jordan and was speeding through Congress legislation to write off US loans to Jordan, worth about $1bn.

Israel and Jordan have drawn up a far-reaching joint economic agenda but only a few of these plans can be implemented until a formal peace treaty is signed. Israeli and Jordanian negotiators resume bilateral talks today on the Israeli side of the Dead Sea to resolve border demarcation and water disputes – the obstacles that stand in the way of a peace treaty.

The new border, on a minefield Mr Rabin said had formerly sown "death and destruction", comes only two weeks after Israel and Jordan signed an interim peace accord in Washington.

Construction workers from both Israel and Jordan yesterday were still putting the finishing touches to the roads, signposts, border terminals and barriers minutes before the ceremony began.

Although only foreign nationals will be able to cross initially, the border opening is a psychological breakthrough for Israelis who have felt isolated and surrounded by hostile Arab neighbours for decades.

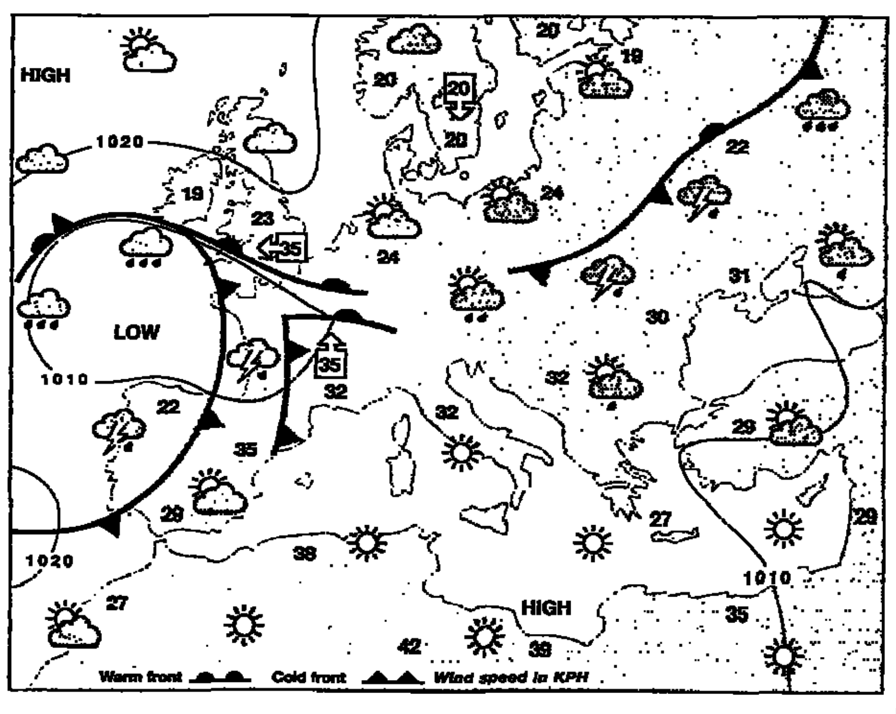
FT WEATHER GUIDE

Europe today

A frontal system will stretch from the Channel to Belgium, Germany and Poland. North of this front, conditions will be fresher with temperatures slightly above 20C. Northerly winds will bring cloud to countries around the North Sea. South of the front, it will continue hot. Low pressure over France will produce thunder storms and temperatures should rise to 35C. A cold front attached to a depression west of Bretagne will pass through Portugal and Spain later today drawing cool air from the Atlantic into the coastal regions. Italy and the Balkans will remain hot and dry with only a few thunder storms developing in Romania.

Five-day forecast

The depression west of Bretagne is expected to track across the Channel and The Netherlands and then into Denmark and southern Sweden. On its way, it will bring widespread rain on Wednesday and Thursday to southern England, north-west France, the Lowlands and then Denmark. Behind the depression, northerly winds will bring cool air into western Europe, probably ending the extremely hot period of the last few weeks.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	sun	42
Accra	thund	30
Algiers	sun	38
Amsterdam	fair	23
Athens	sun	32
Atlanta	fair	32
B. Aires	cloudy	18
B.ham	cloudy	23
Bangkok	rain	33
Barcelona	sun	30
Beijing	rain	31
Belfast	cloudy	19
Belgrade	sun	33
Berlin	fair	27
Bermuda	cloudy	32
Bogota	cloudy	19
Bombay	shower	32
Brussels	fair	25
Budapest	sun	32
C.hagen	fair	21
Cairo	sun	35
Cape Town	rain	14
Caracas	fair	26
Cardiff	rain	20
Casablanca	sun	27
Chicago	fair	24
Cologne	fair	28
Dakar	fair	30
Dallas	shower	33
Delhi	fair	28
Dubai	sun	42
Dublin	rain	18
Dubrovnik	sun	31
Edinburgh	fair	18
Faro	sun	25
Frankfurt	fair	30
Geneva	sun	32
Gibraltar	sun	30
Glasgow	fair	20
Hamburg	fair	22
Helsinki	fair	21
Hong Kong	shower	28
Honolulu	fair	33
Istanbul	sun	31
Jakarta	fair	32
Jersey	shower	22
Karachi	cloudy	34
Kuwait	sun	35
L. Angeles	fair	24
Las Palmas	sun	29
Lima	cloudy	18
Lisbon	sun	23
London	fair	24
Lux.bourg	fair	26
Lyon	thund	33
Madeira	fair	25
Madrid	fair	30
Majorca	sun	34
Malta	sun	33
Manchester	cloudy	22
Manila	cloudy	30
Melbourne	fair	10
Mexico City	shower	19
Miami	thund	33
Milan	sun	33
Montreal	fair	26
Moscow	shower	22
Munich	fair	29
Nairobi	cloudy	23
Naples	sun	33
Nassau	shower	32
New York	thund	33
Nice	sun	29
Nicosia	sun	35
Oslo	cloudy	22
Paris	thund	32
Perth	fair	19
Prague	fair	28
Rangoon	shower	29
Reykjavik	fair	13
Rio	fair	25
Rome	sun	33
S. Frsco	fair	22
Seoul	rain	34
Singapore	cloudy	33
Stockholm	shower	22
Strasbourg	fair	32
Sydney	sun	19
Tangier	sun	25
Tel Aviv	sun	32
Tokyo	fair	29
Toronto	fair	23
Vancouver	shower	21
Venice	sun	31
Vienna	sun	30
Warsaw	shower	25
Washington	thund	30
Wellington	shower	13
Winnipeg	fair	27
Zurich	sun	28

FINANCIAL TIMES
COMPANIES & MARKETS
Tuesday August 9 1994

IN BRIEF

Japanese group seeks to list in US

Biomaterial, a biotechnology company based in western Japan, is planning to list on Nasdaq, the US over-the-counter stock market, making it the first Japanese company to bypass the domestic stock market for a listing on an overseas stock exchange. Page 17

Saatchi & Saatchi rises 68%
Saatchi & Saatchi, the advertising group, announced higher than expected interim pre-tax profits of £15.3m ($24m), up 68 per cent. Page 16

Continued improvement at Ciga hotels
The hotels division of Ciga, the Italian group, has continued to improve its operating results in the first seven months of this year. But the group, which is now effectively controlled by ITT Sheraton, the US conglomerate, will still be forced to announce a first-half loss due to financial charges. Page 16

US store group reaches record highs
May Department Stores, the US department store group, said sales and earnings reached record highs in the six months to July and outlined plans for increases in the number of stores. Page 17

Acatos up on supplier link
Shares in Acatos & Hutcheson rose by 19p to 335p after the UK edible oils and fats manufacturing group said it had reached agreement with an international supplier to take a 22.5 per cent stake. Page 19

Trade Indemnity sees fall in claims
Trade Indemnity, the UK trade credit insurance company, reported a 43 per cent fall in gross claims against policies from its continuing operations in the first half of 1994. Page 20

UK engineers gear up for Asia
For many UK engineering companies, prospects for sustained long-term growth lie beyond the mature markets of the UK, continental Europe and North America. Andrew Baxter looks at how UK engineering companies are gearing up for growth in Asia. In the first of a series he visits Weir Group, the Glasgow-based pumps and engineering products company, which says "Asia is bubbling over". Page 20

Exports grow from Guatemalan co-op
A farming co-operative in Guatemala provides technical assistance, healthcare, literacy teachers and cheap credit to its members, from whom it buys export quality vegetables. Exports have grown from about 100,000lb of mange-tout peas in 1982 to more than 9.5m lb of produce last year. Page 22

Diamond bubble bursts
Canadian geologists and mining analysts have burst the bubble of euphoria which has enveloped the frenzied search for diamonds across a wide swathe of northern Canada over the past two years. Page 22

A show of strength from Europe's bourses
European bourses showed strength last week, with Italy being the only exception, hampered by political problems. Asia's markets were also ebullient, with Malaysia recording the best performance in local currency terms. Back Page

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Degussa	507	+	5.5
Falls			
Aachen Mch	1265	–	10
Allianz	2472	–	18
Asko	1006	–	9
Colonia Konzern	1380	–	15
Porsche	875	–	15
NEW YORK ($)			
Rises			
Gen Motors	50½	+	¼
IBM	62¾	+	¼
Merck	30⅜	+	⅝
Molecular Bio	12¼	+	2⅛
Nth Am Mortgage	30¼	+	2⅝
Proc & Gamble	54⅛	+	⅝

New York prices at 12.30pm.

PARIS (FFr)			
Rises			
Eridania B-Say	916	+	18
Gal Lafayette	2170	+	50
Sefimeg	459.5	+	18.5
Falls			
Credit Foncier	1051	–	19
Imetal	632	–	18
Seb SA	550	–	15
TOKYO (Yen)			
Rises			
Hitachi Const	1400	+	70
Hitachi Trans	1170	+	60
Kawaguchi Chem	585	+	80
Pacific Indl	585	+	30
Falls			
Ensuiko Sugar	1920	–	140
Meitec	2010	–	110

LONDON (Pence)			
Rises			
Acatos & Hutch	335	+	19
Beauford	28	+	4
Brit. Biotech	380	+	16
Cropper (J.)	334	+	15
[illegible]	365	+	15
Drew Scientific	34	+	7
Nichols (Vm.)	225	+	13
Osborne & Little	418	+	21
Ransomes	54	+	7
Real Time Control	165	+	10
Sherwood Comp.	125	+	11
Saatchi & Saatchi	170	+	15
Scott Pickford	59	+	6
Smith (W.H.) A	484	+	15
[illegible]	137	+	17
Waterhouse	58	+	17
Falls			
Brit. Airways	417	–	12
[illegible]	61	–	7½
Daily Mail A	1003	–	20
MAID	67	–	11
Telegraph	357	–	10
Tullow Oil	45	–	3½
Utd. Newspapers	505	–	24

Royal Oak lifts offer to C$2.4bn in fight for Lac

By Bernard Simon in Toronto

Royal Oak Mines, the pugnacious Vancouver-based gold producer, yesterday lifted its takeover bid for Lac Minerals, the much larger Canadian mining group, by about 14 per cent to C$2.4bn (US$1.73bn).

The latest offer substantially raises the amount of cash available to Lac shareholders. Mrs Peggy Witte, Royal Oak's chief executive, said she was encouraged by the support her company had received since its first offer a month ago. Nevertheless, the chances of Royal Oak winning the battle for Lac remain slim.

Analysts predicted yesterday that American Barrick, which has submitted a rival C$2.2bn bid, would sweeten its package, or that other offers would surface. Barrick shares, which comprise a sizeable part of its bid, are widely regarded as being of higher quality and more liquid than Royal Oak paper.

Royal Oak also has the disadvantage of drawing heavily on Lac's resources to finance the takeover.

Lac had no immediate comment on the latest offer. The Toronto-based company has so far said that its favoured option is to retain its independence. It has responded to criticism of its management by replacing its chief executive, unveiling US$600m in new projects, and substantially raising estimates of reserves at its mines in Canada, the US and Chile.

Mr Rick Cohen, analyst at Goepel Shields in Vancouver, said that with a bidding war now in full swing, Lac was unlikely to survive in its present form. Its directors "have to recognise that the company is history", Mr Cohen said. "The best thing is to put it up for auction."

Lac is widely owned, with most of its shares held by North American institutional investors. Royal Oak's latest offer comprises C$5 cash and two Royal Oak shares, with a total value of C$16.50, for each Lac share. Alternatively, Lac shareholders can take 2.87 Royal Oak shares for each Lac share. The offer expires on August 19.

Royal Oak said that it plans a C$120m equity issue to help finance its bid. A group of banks earlier agreed to provide a long-term credit facility of US$700m. The new offer remains subject to the same conditions as the previous one, including the removal of Lac's poison pill, and a gold price of more than $360 an ounce when the takeover is finalised. Lac shares were up 25 cents at C$14.50 on the Toronto stock exchange early yesterday afternoon.

Wallenberg raises stake to 11% in SE-Banken

By Christopher Brown-Humes in Stockholm

Sweden's Wallenberg group has tightened its grip on Skandinaviska Enskilda Banken, the country's largest commercial bank, after buying nearly 20m A shares worth almost SKr1bn ($129m) earlier this year.

The purchases, carried out by the Knut and Alice Wallenberg Foundation, have lifted Wallenberg ownership to more than 11 per cent from 8 per cent. This bolsters the influence of Sweden's leading industrial dynasty over what is already considered to be the "family" bank.

The foundation has overtaken the investment group Custos to become the largest single shareholder in SE-Banken. It holds 47.3m A shares and 1.36m C shares for a 9.2 per cent stake, according to statistics compiled by DN Agareservice, a share monitoring service.

At the end of last year the foundation held 27.8m A shares and 1.28m C shares, equivalent to 5.5 per cent of the capital. Other Wallenberg interests, including Investor, the key Wallenberg holding company, hold 2 per cent of the bank's shares.

SE-Banken's recent decision to scrap a rule preventing shareholders from voting for more than 2 per cent of its shares has enhanced the Wallenberg influence. Today the group accounts for 11.4 per cent of the bank's votes, based on a system which accords each A share one vote and each C share one-tenth of a vote.

Mr Jan Nilsson, managing director of the foundation, said it had decided to increase its stake in the bank because it believed it would get a good return for its investment.

He also noted that the foundation had been fairly liquid since it sold its shareholding in Saab-Scania, the vehicle and aerospace group, to Investor in 1991.

Strong links have existed between SE-Banken and the Wallenbergs ever since the bank was formed from the merger of Stockholms Enskilda Bank, the Wallenberg family bank, with Skandinaviska Banken in 1972.

Mr Bjö Svedberg, SE-Banken chief executive, is a central figure in the Wallenberg family empire and Mr Peter Wallenberg, dynasty patriarch, is first vice-chairman of the board.

SE-Banken has returned to the black this year after coming close to disaster in early 1993, when it was forced to seek government aid. It is now a year since the group was able to withdraw its request for state assistance, helped by a SKr5.3bn rights issue.

Esab shares move further ahead of bid

By Hugh Carnegy in Stockholm

Charter, the UK industrial group, said yesterday it stood by its bid for Esab despite the Swedish welding group's shares rising further above the offer price.

Esab shares rose SKr5 to SKr355, SKr10 ahead of Charter's £260m ($400m) recommended June bid. This followed its announcement of a surge in half-year profits to SKr195m ($25m), after financial items and before tax, compared with SKr23m in the same period last year. The Gothenburg-based group, the world's largest supplier of welding equipment, added that it expected full-year profits of around SKr390, well ahead of its previous forecast of SKr320m. Income targets for the coming few years would be reached earlier than expected.

The results fuelled speculation in Stockholm that Charter, which already holds 53 per cent of Esab, might fail in its target of capturing 90 per cent by the deadline of this Friday. Several Swedish institutions, which hold the bulk of the outstanding shares, have yet to make up their minds and have made clear they are closely examining claims that the Charter bid undervalues Esab.

But Mr Charles Parker, Charter's commercial director, said yesterday it regarded the latest rise in Esab's share price as a blatant attempt to force it into increasing the bid. He said the fundamental assessments which led to the offer at SKr345 – at the time a 20 per cent premium – had not changed. "The offer stands as it is," he said.

Esab attributed the turnaround in its results to the effects of a cost-cutting programme which has seen the workforce fall by 1,700 during the last two years to just more than 7,000 at the end of June.

Group sales in the first six months rose to SKr3.74bn, from SKr3.38bn, as demand in Europe remained slack. Operating profits grew to SKr222m from SKr93m. Return on capital in the year to June was 13.7 per cent, compared with 9.1 per cent in 1993.

Mr Lars Westerberg, chief executive, said sales volumes began to pick up in the second quarter and he anticipated that sales would continue to grow. "What is happening is that the rate of change is very fast," he added.

Louise Kehoe and Alan Cane report on the personal communicators market

Consumers slow to put their hands in pockets

The vision of a multi-billion dollar market for pocket-sized "personal communicators" that fired excitement throughout the computer industry a year ago has turned out to be a mirage. Among the companies that hoped to profit from the anticipated emergence of this new category of electronic products – handheld devices that combine some of the functions of a personal computer with those of a mobile telephone, pager or fax machine – there is now a growing consensus that it will be several years before sales take off.

Disenchantment began to set in when Apple Computer's much heralded "Newton", launched 12 months ago, failed to achieve its sales targets. Mr John Sculley, former Apple chairman, has been widely blamed for setting unrealistic expectations for the performance of what he called "personal digital assistants".

Although Apple has not released sales figures since last December, fewer than 100,000 Newtons have been sold, according to analysts' estimates – a far cry from the millions that Apple had hoped for.

Apple, however, is not alone in disappointing its customers and investors. Eo, a Silicon Valley venture that brought the first "personal communicator" to market last year, recently closed its doors after AT&T, its biggest investor, refused additional funding.

Last week Intel, the world's largest semiconductor company and the leading supplier of microprocessor chips for personal computers, ended a joint effort with VLSI Technology, another Silicon Valley semiconductor company, to develop chips for personal communicators.

"The market for handheld devices has developed more slowly and with dramatically lower volumes than the industry originally anticipated," said Mr Donald Maulsby, VSLI vice-president. The company will cut its research and development spending on chips for personal communicators and Intel plans to sell its 15 per cent equity stake in VLSI (plus warrants to acquire an additional 7.5 per cent).

Amid growing scepticism about the near-term prospects for personal communicators, the introduction of an IBM product called "Simon" – a handheld cellular telephone-cum-computer – is behind schedule. IBM's plans to launch similar "smart telephones" bearing its name are also believed to be on hold. Similarly, Compaq Computer has delayed indefinitely the introduction of its personal communicator and Motorola, the leading manufacturer of cellular telephones, has postponed shipment of its "Envoy" personal wireless communicator until the end of the year for "additional testing".

Despite the setbacks, most industry executives believe that eventually personal communicators will become a mass market product, but not in the near term.

Mr David Potter, founder and chairman of the UK company Psion which makes a pocket communicator, is angered that the relative failure of Newton reflects badly on other handheld gadget manufacturers. "The concept is sound but pen input and radio communications are immature at present," he said.

He pointed out that Psion had been successful with a handheld computer which communicates via a Motorola radio system. It is used, however, in large corporate systems with extensive software and other support.

Amstrad, the UK consumer electronics company, claimed to be the first to launch a personal digital assistant with its pen-based handheld computer in early 1993. Amstrad's PDA600 has consistently outsold the more expensive Newton in the UK, although numbers for both are small. In December, sales of Amstrad's PDA600s were about 1,800, against about 600 Newtons. In May this year it sold about 400 PDA600s to a little over 200 Newtons according to Romtec, the marketing consultancy.

Despite setbacks, most industry executives believe that personal communicators will be a mass market product, but not in the near term

Makers of the first generation of personal communicators were too ambitious, it now appears, in promising "anytime, anywhere" voice and data communications services via today's cellular telephone networks. Apple and others also overreached by attempting to incorporate handwriting recognition in their products.

Yet advances in "wireless" mobile communications are on the horizon. Nextel, for example, plans to build a North American mobile communications system that combines voice, paging and data messaging systems.

And a week ago several companies and investment groups paid the US government a total of $833m for radio spectrum rights assigned to advanced two-way paging systems. These are expected to enable users to send and receive short messages. Such services may be available within five years according to industry analysts.

In December, the US Federal Communications Commission is set to hold another airwaves auction for licences to operate "pocket communication service" networks. PCS is expected to expand on today's cellular telephone services by adding data communications and perhaps even limited video capabilities to conventional voice transmission. However, the new networks may cost billions of dollars and take several years to build.

That should give the computer industry plenty of time to overcome the shortcomings of the first generation of personal communicators. But it also suggests that manufacturers have a long time to wait before their dreams of a huge new market come true.

BA fails to please with 40% rise

By Paul Betts, Aerospace Correspondent

British Airways yesterday reported a 40 per cent rise in first-quarter pre-tax profits to £88m ($136m) as passenger and cargo traffic continued to recover.

But BA shares fell 12p to close at 417p as the profits failed to match the more bullish forecasts of £90m-plus.

The market's reaction also reflected continuing worries about BA's $400m investment in a 24.6 per cent stake in USAir. The sixth largest US carrier is struggling to win labour concessions to help it return to profitability.

BA said yesterday it was not close to deciding whether to write off its USAir stake. But it acknowledged that negotiations between USAir and its unions were not encouraging and would probably drag on into the autumn.

Sir Colin Marshall, BA's chairman, said the strong first-quarter performance reflected "buoyant demand" for passenger and cargo services, with first and business class premium traffic reaching an all-time high.

First-quarter operating profits rose 32.4 per cent to £143m on an 11.4 per cent increase in turnover to £1.69bn. Fully diluted earnings per share rose only 0.1p to 6.4p, reflecting a higher tax rate and last year's rights issue.

A total of 8.3m people flew on the airline's scheduled and charter flights in the first quarter. Passenger traffic increased by 6.9 per cent on scheduled services. The biggest improvement was in the high-yield first and business class traffic which rose by 12 per cent. Cargo traffic rose by nearly 20 per cent with a total of 171,000 tonnes carried.

Lex, Page 14

Saatchi & Saatchi beats forecasts with 68% rise

By Diane Summers, Marketing Correspondent

Mr Maurice Saatchi declared the Saatchi & Saatchi advertising group a "100 per cent politically correct organisation" yesterday, as the group announced higher than expected interim pre-tax profits of £15.3m ($23.71m), up 68 per cent on the previous year.

The status claimed by Mr Saatchi comes from the fact that the group now has no-one on a contract longer than three years. At the annual meeting in June, Mr Saatchi renounced his five-year rolling contract, worth £625,000 a year, and moved to a three-year fixed-term contract at a base salary of £200,000. Bonuses will be linked to revenue growth.

The semi-public row between Mr Saatchi, chairman, and Mr Charlie Scott, chief executive, which erupted earlier this year over the management of the organisation, appears to have subsided, with Mr Saatchi yesterday describing relationships as "magnificent". Mr Scott agreed: "I have worse arguments with my wife than I do with Maurice, and I've only been married four weeks."

Mr Scott described the volume and quality of new business this year as the best since he joined the group at the beginning of 1990. The impact of the new accounts, which include the National Lottery, Compaq computers and Qantas, are not expected to feed through until 1995.

The share price leapt 15p to close at 176p.

Turnover slipped 6.1 per cent to £379.4m in the six months to June 30 from from £404.1 last time. The decline had been expected because of the loss of two important US accounts, Chrysler and Helene Curtis, together worth £16.8m in revenue. Other factors were the negative impact of exchange rate movements, and the fact that businesses were sold.

Operating profits from continuing operations were up 15 per cent to £21.7m from £18.9m, following an attack on costs. Operating margins increased to 5.7 per cent from 5.3 per cent and Mr Scott said his target remained 10 per cent by 1996.

Profit attributable to shareholders was up 91 per cent to £6.3m from £3.3m). Earnings per share rose 53 per cent to 2.9p from 1.9p. No dividend will be paid – Mr Saatchi and Mr Scott said the position on dividends would be kept under review.

Charges depress Ciga group

By Andrew Hill in Milan

The hotels division of Ciga of Italy continued to improve its operating result in the first seven months of this year.

But the luxury hotels group, which is now in effect controlled by ITT Sheraton, the US conglomerate, will still be forced to announce a loss for the first half because of heavy financial charges.

Ciga yesterday published figures which show that occupancy rates at its 34 hotels increased by 9.2 percentage points in the first seven months of this year, to 59.4 per cent.

The hotels' turnover increased by 11.7 per cent to L295bn ($187m), compared with L264bn in the first equivalent period last year.

Under the control of Fimpar, the holding company of the Aga Khan, Ciga's debts and losses mounted, and earlier this year first Forte, the UK hotels group, and then ITT Sheraton launched bids for control.

ITT's initial strategy failed when a deliberately overpriced rights issue – supposed to deliver Ciga to the US group – was fully subscribed, raising more than L1bn to help reduce the Italian company's borrowings.

But ITT has still managed to build a stake in Ciga of more than 20 per cent, and three of the seven-strong board are ITT appointees.

Italy's stock market watchdog decided at the end of last month that ITT should mount a formal bid for further Ciga shares as it had gained control of the company, but the authority has yet to specify the terms or scope of such an offer.

● Banca Commerciale Italiana, the Italian bank privatised earlier this year, is to launch its L2,362bn discounted issue of shares and warrants on August 18, and the offer will close on September 16.

The new shares will be priced at L3,000 and offered on the basis of one new share for every two held, the bank said.

Chilean sale puts Millicom in black

By Andrew Adonis in London

Millicom International Cellular, the Luxembourg-based international cellular communications company listed on Nasdaq, reported pre-tax profit of $28.2m for the six months to June 30.

The profit was due to the sale of the company's Chilean cellular operation for $37m.

Excluding extraordinary gains, the company recorded a net loss of $5.7m, a 70 per cent reduction on a net loss before extraordinary gains of $19.3m for the same period in 1993.

Revenue was $34.3m, 56 per cent up on the $22m in the same period in 1993.

Most of the company's 22 operations, in 16 countries, are recent start-ups, and it is expecting to bid for new cellular licences in emerging market countries, particularly in Latin America and the Asia-Pacific region.

The number of subscribers rose by 40 per cent in the six months to 85,214. The company's most profitable operations were in Moscow, Sri Lanka, the Philippines and Guatemala.

Unwrapping an east European strategy

German deals have given Mercer a foothold in the paper industry, says Judy Dempsey

When the Treuhand privatisation agency recently sold an eastern German printing plant to Mercer International, a Vancouver-based public company, it completed the privatisation of the region's pulp and paper mills.

But for Mercer, the acquisition of Zellstoff und Papierfabrik Rosenthal, in the eastern state of Thuringia, could mark the beginning of the transformation of a company which until a year ago had neither a foothold in Europe nor an interest in the paper industry.

"In some ways, the transformation of our company is linked to the transformation of the east German economy," said Mr Jimmy Lee, Mercer chairman.

Mercer, founded in 1985, had specialised in US real estate and financial services and had an interest in Nalcap, whose principal asset was its royalty interest in the Wabush Lake iron ore mine in Newfoundland. By 1993 Mercer had revenues of US$112m.

But Mr Lee was impatient. "Our whole philosophy is to look for undervalued situations. We look for messy problems. I saw what was happening in eastern Germany."

Mercer's first acquisition from the Treuhand was Specialreinigung Meissen, a small industrial cleaning company in the eastern state of Saxony. It paid $500,000 for the plant. "This was a kind of test case for us. We knew there would be plenty of contracts in this line of business in east Germany," said Mr Lee.

Mercer was committed to guaranteeing 40 jobs and investing DM300,000 ($191,000). "All the capital investments have now been carried out," said Mr Lee, a 37-year-old who has maintained close contacts with his business connections in South Korea, where he was born.

According to Mr Stephen Weinress, of Friend, Weinress and Frankson, a California-based investment banker, Specialreinigung is expected to generate annual revenues of between $15m and $20m.

Soon after the acquisition – and advised by, among others, Shin-Ho, one of South Korea's largest paper groups which last year had a turnover of nearly $1bn – Mercer started looking at the paper industry in east Germany. But by 1992, there was overcapacity both in Europe and North America and prices started to fall sharply.

This make life difficult for the Treuhand; it had been negotiating with a French company to sell off Dresden Papier, eastern Germany's largest paper mills which before unification had a workforce of 30,800 and 126 plants. By early 1993, the deal with the French had collapsed. The Treuhand was desperate to find a buyer. Dresden Papier approached Mercer.

"We were sure the paper industry would turn eventually. And in any case, because of Germany's strict environmental laws which require companies to recycle at least 50 per cent of their waste products, we believed we would have a wide market. We also had the advantage that the Treuhand was seeking a quick deal."

When the Treuhand took over Dresden Papier, based in Saxony, centre of the German printing and publishing world before the second world war, the company was in poor shape. The Russian market, which accounted for most of Dresden Papier's greaseproof paper sales, had collapsed and losses exceeded DM60m. To prepare it for privatisation, the Treuhand invested DM100m – primarily in new equipment, including de-inking facilities.

The Treuhand drew up a generous contract with Mercer. The agency agreed to pick up DM45m estimated losses for 1993, provide an additional DM30m for losses during 1994 and 1995 and cover redundancy costs. It also agreed to contribute to 90 per cent of the DM10m environmental liabilities while Mercer received investment grants worth 32 per cent of the total DM75m which Mercer had committed to invest.

"We paid DM1m for Dresden Papier, and injected DM20m as a sign of good faith. We also agreed to guarantee 490 jobs," said Mr Lee. A year after the deal was completed, Mercer acquired the Rosenthal plant in Thuringia, with similar favourable terms.

The question is what kind of strategy does Mercer want to pursue in Germany. Ms Frances Campion, an analyst at Morgan Stanley Asset Management in London, believes Mercer's move to Europe represents "an interesting investment. It will give them exposure not only in east Germany, but in the European paper industry."

Mr Weinress, who has followed Mercer closely, says the company "wants to be a leader in the European recycled speciality paper market, but it still lacks credibility in the US... it should move out of Vancouver if it wants to be taken seriously by investors and the US market."

With Shin-Ho as a partner, Mercer believes it can use the Rosenthal plant, one of the most modern pulp enterprises in eastern Germany, to recycle 80 per cent of its raw material consisting of waste, something of which Germany's environmental lobby would approve.

It will be able also to integrate its three acquisitions and capture not only the local market but expand into western Germany.

"We are now one of the principal users of waste in Dresden. Dresden Papier is running at full capacity – 235,000 tonnes. We expect a turnover of $95m this year, there's no reason why we cannot keep costs down."

Already, 90 per cent of Dresden Papier's products, which include high-grade, recycled writing and printing papers, are sold to the west German market. Its wallpaper sales account for 18 per cent of the total German market. In addition, now that Russian capital, which flowed out of Russia during the early 1990s, is slowly returning to the country, Dresden Papier is again selling greaseproof paper to the Russians.

But consistent with his philosophy, Mr Lee is not prepared to sit back. Eastern Europe beckons. "Our staff at Dresden Papier have an excellent knowledge of printing operations as well as contacts in eastern Europe. The east Europeans used to be trained in Saxony. We have big advantages. We are interested in looking at Hungary and the Czech Republic. And Saxony is so close to these countries," said Mr Lee.

Mr Weinress believes that Mercer's presence in Germany will give it a better focus as well as give it foothold in the middle of Europe.

"But if Mercer wants to get that respectability it lacks, it should think about getting listed on the New York Stock Exchange," he adds.

> 'Our whole philosophy is to look for undervalued situations. We look for messy problems. I saw what was happening in eastern Germany' – Mercer chairman

Smith & Nephew loses £148m on Ioptex sale

By Daniel Green in London

Smith & Nephew, the UK healthcare products maker, has closed an unfortunate chapter in its history by selling its worst performing business, Ioptex, for £11m ($17.05m) – about £150m less than the $236m it paid for it in 1988.

S&N will take an exceptional charge against 1994 profits of £148m, not far short of last year's pre-tax total of £171m. Ioptex, which makes eye implants, is being sold to Allergan, of California.

As a £141m goodwill write-off was made against reserves at the time of the Ioptex purchase, shareholders' funds will fall by only £7m. The share price was barely changed at 159p yesterday.

S&N said the sale would "modestly enhance earnings (before exceptional items) by replacing a small current loss with interest earnings".

The proceeds of the sale will reduce gearing from about 4 per cent to almost zero. The company is due to announce first-half results on Thursday; forecasts are for about £90m pre-tax.

Ioptex profits collapsed in 1990 when the US government changed the rules on paying for intra-ocular lenses, its main product.

In 1993, it had sales of £27m, profits of £200,000 and net assets of £18m. In the first half of 1994, it lost £1m.

Mr John Robinson, S&N chief executive, said yesterday that Ioptex was the only one of the company's businesses to be losing money. It was ripe for disposal because "it clearly didn't fit". It was the only acquisition to which S&N had failed to add value.

Among other things, Ioptex needed specialist sales staff that did not fit with the company's other product lines.

Mr Duncan Moore, analyst with stockbroker Morgan Stanley, said that the Ioptex purchase had been "a poor investment" which the company had been expected to sell.

For Allergan, best known for its contact lens fluids, the deal strengthens its position in the intra-ocular lens market. It was the first company that S&N approached, said Mr Robinson. Talks took "four to five months" with other companies also expressing an interest.

S&N has not made an acquisition as big as that of Ioptex since 1988. Instead it has signed collaboration agreements such as that with California's Advanced Tissue Sciences to improve cartilage surgery.

Lex, Page 14

INTERNATIONAL COMPANIES AND FINANCE

Japanese bio-tech group to list in US

By Emiko Terazono in Tokyo

Biomaterial, a bio-technology company based in western Japan, plans to list on Nasdaq, the US over-the-counter stock market.

It will be the first Japanese company to bypass the domestic stock market for a listing on an overseas stock exchange. The move will increase anxiety among Japanese financial authorities over the "hollowing out" of the country's capital markets.

The company, backed by the government's venture capital programme, maintained that Japan's listing requirements were too stringent for start-up companies and it was seeking a wider investor base in the US.

Biomaterial, which develops and produces stabiliser equipment for anti-pollution bacteria, said listing on the domestic over-the-counter exchange was impossible for high-growth companies, since corporations are required to post Y10 or more in earnings per share and to have net assets of Y200m or more.

The company, which was established in 1992 and expects pre-tax losses of Y220m ($1.99m) this business year, plans to start providing information to US investors next month, for a listing on Nasdaq in 1996.

Industry analysts say other small companies are likely to follow suit, since the Ministry of International Trade and Industry is encouraging the diversification of funding options among start-up companies.

The move comes as criticism of Japan's over-regulated financial markets is heightening.

Due to high capital gains tax, domestic investors are trading Japanese stocks on overseas stock exchanges.

The rise in demand for Japanese stocks among leading US, European and Asian investors has provided further incentive for Japanese companies to seek funds abroad.

Government officials are also concerned at the possible deterioration of Japan's status as a financial centre.

The Tokyo stock exchange, which has been facing a sharp decline in listings of overseas companies, is looking at ways to stop the outflow and increase new company listings, while Japan's Ministry of Finance said it was about to launch a study of the outflow of activity from the Tokyo market.

Australia Air loses fight for China route rights

By Nikki Tait

Rights to fly between Australia and China were finally lost yesterday by Australia Air, the would-be international airline, when Australia's International Air Services Commission revoked last year's route authority decision.

The move follows a year-long struggle by Australia Air to find the necessary financial backing which would allow it to take to the skies.

Although yesterday's decision did not come as a surprise, it is a blow for the Australian government's efforts to deregulate the international aviation scene and do away with Qantas' long-standing monopoly in this area. Australia Air was the only potential new carrier to emerge as a result of the new liberalised policy.

The only other beneficiary has been Ansett, which shares the national market with Qantas and which has been awarded some international authorities. Ansett, however, has been extremely cautious about using these.

The IASC said it was "in the public interest" to revoke the decision to give the China rights to Australia Air. Other airlines will now be able to apply for the route authority in due course.

Australia Air won the rights in March 1993, and initially hoped to get a weekly service linking Beijing and Sydney up and running by late-1993. Superficially, this looked a feasible scheme, since only one rival carrier – Air China – flew directly between the two countries and business/tourism links are growing.

However, Australia Air ran into a lengthy spat with Qantas – which had flown the route in the 1980s – over which was the "designated" carrier under the Sino-Australian air services agreement.

Australia Air's efforts to raise the A$55m (US$40.4m) demanded by the IASC before it could start operating also proved unsuccessful. It asked for a number of extensions from the IASC, which were granted, but yesterday the authorities finally called a halt.

WMC forecasts A$125m profit

By Nikki Tait in Sydney

Western Mining Corporation, the Australian mining group, yesterday forecast that its after-tax profit on an equity basis and after abnormal items would be about A$125m (US$92.7m) for the year to the end of June. On a consolidated basis, the figure would be A$132m.

In 1993-94, WMC – one of the country's largest mining companies – saw group equity profit before abnormal items reach A$165.9m.

However, it incurred a A$113.3m abnormal charge, reflecting a mixture of additional amortisation for assets, a writedown in the value of some assets and some heavy legal costs.

WMC made the forecast in a prospectus, lodged with the Australian Securities Commission yesterday, for its A$720m rights issue. The company announced the cash-call last month in the context of a plan to buy into the international bauxite and alumina-related interests of Alcoa, the US group. The deal is complex, but essentially WMC would reduce its stake in Alcoa of Australia to 39.25 per cent from 48.25 per cent, by passing a 9 per cent interest to Alcoa of the US. (Alcoa, the US parent, currently owns 51 per cent.)

WMC then proposes to pay an additional cash sum to Alcoa of the US, for a similar 40 per cent in the remaining assets (with the US company holding the remaining 60 per cent). Originally, the cash amount was put at US$360m; yesterday, WMC said that it was more likely to be US$348.5m and could be as low as US$296m, depending upon which – if any – of Alcoa's Brazilian assets were included in the package.

WMC added that the Alcoa deal should have "minimal impact on WMC's equity profit after tax in 1994-5", although it reconfirmed that earnings per share for that year would be diluted. In years ahead, the transaction should "enhance growth prospects".

Annual sales rise by 5% at Coles Myer

By Nikki Tait

Coles Myer, the large Australian retailer which is currently trying to arrange the buy-back of a 21.45 per cent stake in itself from Kmart of the US, saw annual sales rise by 5 cent last year, to A$15.92bn (US$11.7bn).

The unexciting overall result, however, contained a 10.4 per cent gain in the final quarter – although this figure partly reflected the benefit of an extra trading week (14 weeks in 1994 compared with 13 in the previous year).

The group result was also held back by flat sales at the Myer Grace Brothers department store division.

Singapore banks lifted by island's buoyant economy

By Kieran Cooke in Kuala Lumpur

Two of Singapore's biggest banks have reported profits reflecting the island republic's buoyant economy and the territory's growth as a financial services centre.

Pre-tax profits at United Overseas Bank (UOB) for the six months ended June 30 rose 34 per to S$411m (US$273m).

Net profit jumped 32 per cent to S$292m while per-share earnings rose 31 per cent to 40.2 Singapore cents from 30.7 cents in the equivalent previous period.

UOB said net interest income increased by 26 per cent to S$430m.

Income on fees and commissions jumped 36 per cent to S$136m.

In the six-month period, pre-tax profits at Overseas-Chinese Banking Corp (OCBC) rose 26 per cent to S$330m while net profit increased by 28 per cent to S$231m.

Net interest income grew 24 per cent to S$528m over the six month period while fees and commissions income rose 42 per cent to S$109m.

Earnings per share increased by 43 per cent to 30 Singapore cents from 21 cents in the previous equivalent period.

OCBC said it had made an extraordinary profit from the sale of a portion of its shares in Singapore Press Holdings, the island republic's biggest publisher.

Static six months at Sembawang

By Kieran Cooke

Singapore's Sembawang Corporation, one of the island republic's biggest companies whose activities are mainly centred on the shipbuilding and repair business, has reported flat earnings for the first six months, reflecting continued lacklustre performance in the worldwide shipping industry.

Pre-tax profits for the six months to June 30 improved by 0.4 per cent to S$63.6m (US$42m) though turnover was up by 42 per cent to S$502m from S$359m previously. Earnings per share declined 9 per cent to 18.9 Singapore cents.

Sembawang has been making efforts to diversify operations out of Singapore in recent years, though profits from these ventures are not likely to flow through for some time.

Late last year a unit of the group signed a joint venture contract with the authorities in Zhejiang province in China to develop a S$1.9bn power plant. Sembawang said the plant would be the first of a series it would help develop in China.

Projects that Sembawang is currently involved in include a S$350m contract for an offshore drilling and production facility in Indonesia and a S$200m contract to convert a Netherlands-owned bulk carrier into the world's largest pipe-laying vessel.

Sembawang said that its latest results included a S$23.6m gain from the disposal of some long-term investments. It said the group expected to maintain its present performance in the second half of the year.

Charge of $485m puts Sara Lee into the red

By Laurie Morse in Chicago

Sara Lee, the international food and personal products company, suffered a net fourth-quarter loss of $309m, or 65 cents a share. This was after a previously-announced $495m restructuring charge to trim costs in its hosiery division.

In last year's fourth quarter the company earned $109m, or 38 cents a share.

Sales for the quarter rose 5.6 per cent, to $4.1bn, from $3.9bn in same period last year.

In spite of the higher sales, the company said that even without the restructuring charges, its fourth-quarter results would have been flat compared with last year.

For the year, excluding all extraordinary items, the group reported income of $729m, or $1.47 a share, on sales of $15.5bn. This compared with $704m, or $1.37, on sales of $14.6bn in fiscal 1993.

Commenting on the results, Mr John Bryan, Sara Lee's chairman, said profit growth suffered from weak results in the company's personal products division, particularly in hosiery and knit operations in Europe.

However, the company's other three lines of business, notably packaged meats and bakery items, and household and personal care products enjoyed profit growth.

Mr Bryan said growth in those businesses, combined with the extensive cost-cutting announced for the troubled hosiery operations, should boost earnings in 1995.

Although Sara Lee historically is viewed as a rapid-growth company, Wall Street took the flat results in stride, with its shares trading up $⅜ at $20⅞ in midday trading in New York.

Holvis cuts target after mid-term deficit

By Ian Rodger in Zurich

Holvis, the troubled Swiss nonwoven fabric and distribution group, suffered a SFr4.5m ($3.4m) net loss in the first half, compared with a SFr19.6m profit in the same period of last year. It has reduced its operating profit forecast for 1994 from SFr32m to SFr20m.

Turnover was down 11.6 per cent, mainly as a result of the sale last year of the speciality papermaking business.

The group has been hurt by price pressure in the traditional markets for non-wovens and diapers, and is having problems with volume production of higher value fabrics for the medical market.

Operating profit in the non-woven division fell 35 per cent in the first half to SFr7.7m, dragging down group operating profit 41 per cent to SFr12.3m.

Record half-year result for May Department Stores

By Richard Tomkins in New York

May Department Stores, the biggest US department store group, said sales and earnings reached record highs in the six months to July and outlined plans for significant increases in the number of stores operated.

Net income in the second quarter rose by 11 per cent to $130m from $117m.

Turnover was 6.5 per cent higher at $2.62bn.

Fully-diluted earnings per share were 49 cents, an increase of 11 per cent from the figure of 44 cents a year earlier.

For the six months to July, turnover was up 9 per cent at $5.15bn while net income was 13 per cent higher at $242m. Fully-diluted earnings per share were ahead by 14 per cent, at 90 cents.

May Department Stores operates 302 department stores and 3,869 Payless ShoeSource stores.

At its annual meeting earlier this year, it announced plans to open an additional 110 department stores, 1,200 Payless ShoeSource stores and 1,000 Payless Kids stores over the next five years, at a cost of $4bn.

At the end of last month it significantly expanded its shoe retailing operation by buying all 679 shoe stores owned by Kobacker and The Shoe Works, two related companies based in Columbus, Ohio.

Yesterday May said it had opened a Famous-Barr store in Jamestown Mall, St Louis, during the quarter, and that another 14 department stores would open by the year end: five Lord & Taylor, four Filene's, two Foley's, one Hecht's, one Robinsons-May, and one Famous-Barr.

Dell seeks return to notebooks

By Louise Kehoe in San Francisco

A year after withdrawing from the market for notebook personal computers, Dell Computer has introduced new products with which it aims to make a comeback in the fastest growing segment of the PC market.

The products are critical to the future of Dell, which has been struggling to keep pace with larger competitors in the PC business.

Last year, the company was forced to pull out of the notebook sector when quality problems emerged in its products.

In a significant change of strategy, Dell put together an in-house design team, headed by a former Apple Computer executive.

The first results of these efforts, unveiled yesterday, are two lines of notebook computers that look remarkably like Apple's popular Powerbook models.

The new Dell notebooks offer longer battery life than most competing products and are aggressively priced. By using new lithium-ion battery technology, Dell's top-of-the-line Latitude XP, which is designed for corporate users with a starting price of $3,199, can work for six to eight hours before recharging, rather than three to five hours with conventional batteries.

A lower-priced product line, available only in the US at present, will start at $1,399.

The basic Latitude uses conventional notebook-computer batteries but allows users to pull out the floppy disk drive and substitute a second battery, offering six to 10 hours of use.

Dell has an opportunity to make a comeback in the notebook market because leading suppliers, such as Compaq and IBM, are unable to keep up with demand, analysts said.

However, Dell's re-entry may be hampered by the company's recent withdrawal from retail sales channels. It now sells only via mail and telephone orders.

Thai animal feed group ahead

By Victor Mallet in Bangkok

Charoen Pokphand Feedmill (CPF), the listed agro-industrial arm of the multinational CP group of Thailand, yesterday announced a 39 per cent rise in first-half net profit to Bt684.5m ($27.3m) from Bt493.1m in the same period of 1993.

Net profit in the second quarter, however, rose only 11 per cent to Bt375.8m from Bt337.5m. Further financial details have yet to be released.

Prawn feed accounts for two-thirds of CPF's revenues, and the improved profits are partly attributable the continued strength of the Thai prawn farming industry.

Thailand is the world's largest prawn exporter, and prices have been boosted by a fall in Chinese production caused by outbreaks of disease.

Yesterday Trang Seafood Products, one of Thailand's listed seafood exporters, reported a 96 per cent rise in first-half net profit to Bt52.8m from Bt26.9m a year earlier.

CPF's first-half profit increase is also a reflection of the company's relatively poor performance in early 1993, when chicken prices fell sharply.

Poultry raising and feed account for a substantial share of business. Chicken prices have improved since then, although Thai poultry exports are still facing stiff competition from low-cost producers in China, Brazil and elsewhere.

CPF has majority stakes in Bangkok Agro-Industrial Products and Charoen Pokphand Northeastern, as well as 5 per cent of TelecomAsia, which has a concession to install 2m telephone lines in Bangkok.

Hawker Siddeley Canada in loss

By Robert Gibbens in Montreal

Hawker Siddeley Canada, now independent from BTR, the UK industrial conglomerate, posted a second-quarter loss of C$9.2m (US$6.66m), or C$1.15 a share, because of continuing problems and special charges at its restructured saw mill equipment unit.

The loss compared with a profit of C$5.5m, or 65 cents a share, a year earlier.

Sales were C$81m, against C$88m.

The latest figures brought the first-half deficit amounted to C$12.1m, or C$1.53, compared with profits of C$8.6m, or C$1, last year, on sales of C$159m against C$173m.

BTR sold its 59 per cent stake in the company earlier this year.

Hawker Canada is now concentrating on its profitable railcar leasing business, jet engine overhaul and mining and sawmill machinery.

Mr Keith Moore, president, said costs at the saw mill equipment unit were coming under control and sales prospects were improving.

However, some other markets declined in the first half, including mining equipment in the UK and military engine overhaul in Canada.

The foundry unit improved volume but was still unprofitable.

Hawker would show a loss for 1994, said Mr Moore, but "we're well on the way to repositioning the company for the long term".

● SNC-Lavalin, a Canadian-based international engineering and construction group, posted sharp increases in second-quarter and half-year earnings thanks to improving margins and lower interest costs.

First-half profit was C$14.7m, or 94 cents a share, up from $8.8m, or 60 cents, a year earlier, on revenues of $397m, a rise of 11 per cent.

Second-quarter profit equalled 57 cents, against 43 cents on revenues of $217m, up from $184m.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

½ hour period ending	Provisional Price for Trading on [illegible]: Pool purchase price £/MWh	Final Prices for Trading on 12.07.94: Pool purchase price £/MWh	Final Prices for Trading on 12.07.94: Pool selling price £/MWh
0030	13.21	13.22	16.26
0100	11.02	10.45	10.45
0130	11.02	9.90	9.90
0200	11.02	9.90	9.90
0230	11.02	9.90	9.90
0300	11.02	9.90	9.90
0330	11.02	9.90	9.90
0400	11.02	9.90	9.90
0430	11.02	9.90	9.90
0500	11.02	9.90	9.90
0530	9.90	12.36	15.40
0600	9.90	12.36	15.40
0630	10.80	12.58	15.80
0700	13.45	17.57	20.61
0730	17.17	24.05	27.09
0800	17.06	24.23	27.37
0830	19.57	28.72	32.01
0900	27.97	25.89	29.50
0930	28.35	28.24	32.10
1000	28.59	33.94	37.80
1030	28.75	33.94	37.92
1100	28.88	34.04	38.05
1130	33.79	34.80	39.00
1200	37.80	52.24	58.83
1230	39.36	51.90	56.18
1300	39.89	51.01	55.09
1330	28.26	32.84	36.38
1400	28.10	29.98	33.60
1430	28.01	29.69	33.24
1500	26.01	29.54	33.04
1530	28.03	29.55	33.06
1600	28.20	30.07	33.73
1630	28.14	34.90	38.87
1700	37.70	43.60	47.64
1730	37.48	42.66	46.45
1800	37.06	32.79	36.18
1830	21.35	28.15	31.24
1900	21.28	24.06	27.10
1930	17.17	23.11	26.16
2000	17.17	22.63	25.69
2030	11.44	22.63	25.67
2100	17.17	22.42	25.46
2130	24.60	22.63	25.68
2200	24.60	22.63	25.68
2230	17.17	22.63	25.68
2300	17.02	22.42	25.46
2330	16.61	22.63	25.67
2400	15.36	17.72	20.76

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.86/MWh becomes 1.686p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone [illegible] between 8.30am and 5.15pm Monday to Friday.
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INTERNATIONAL COMPANIES AND CAPITAL MARKETS

Treasuries edge higher ahead of $40bn refunding

By Patrick Harverson in New York and Antonia Sharpe in London

US Treasury prices edged higher across the maturity range yesterday morning as dealers and investors prepared for this week's $40bn quarterly refunding auctions.

By midday, the benchmark 30-year government bond was up $\frac{3}{16}$ at $85\frac{1}{32}$, yielding 7.520 per cent. The two-year note was also slightly firmer at the half-way mark, up $\frac{1}{32}$ at $99\frac{27}{32}$, to yield 6.192 per cent.

GOVERNMENT BONDS

Trading activity was very light from the opening, with participants reluctant to commit funds to the market ahead of the refunding round.

The auctions begin today with the sale of $17bn in three-year notes. That will be followed by auctions of $12bn in 10-year notes tomorrow and $11bn in 30-year bonds on Thursday.

Last week's strong July employment report raised fears in the bond market that the Federal Reserve will once again raise interest rates to slow the economy down, and the talk of another monetary policy tightening has only made dealers and investors even more cautious than usual in the planning of their strategies for the Treasury auctions.

■ European government bond markets were quiet as investors focused on this week's US refunding. In the absence of meaningful investor activity, the market continued its debate on whether Germany would continue to cut interest rates in the wake of buoyant economic data.

Salomon Brothers took the view that the strong German recovery could mean that the Bundesbank would not cut rates further in this cycle, turning its attention instead to inflation worries.

However, Kidder Peabody Securities said the Bundesbank was likely to cut interest rates after Germany's federal elections in October.

On Liffe, the September contract of the bund future traded in a narrow range before easing 0.34 to 93.07 in the late afternoon in meagre volume of 58,000 lots.

Dealers noted that a widening in the yield spread between UK gilts and bunds, which reached 175 basis points on Friday, prompted some switching from bunds to gilts. This caused the spread to tighten again to 158 basis points.

■ Gilts rose on the release of weaker than forecast producer prices data for July but, surprisingly, shrugged off a big rise in consumer credit for June.

Mr Simon Briscoe of S. G. Warburg said the Bank of England was likely to interpret the lending data as a clear indication that the economy was still growing fast and that it would be that bit keener to raise rates soon.

In the meantime, news that the Bank was raising £700m through four taps of existing bonds strengthened the view that it would not be holding an auction this month.

On Liffe, the September long gilt future stood $\frac{5}{32}$ higher at 102% in the late afternoon in small volume of 31,200 lots.

Landesbank taps dragon sector

By Conner Middelmann

The Eurobond market saw a sprinkling of new deals yesterday, but amid the ongoing summer lull, issuance is expected to remain slow this week.

Germany's Landesbank Rheinland Pfalz tapped the dragon bond market for $300m of three-year bonds via joint leads Goldman Sachs and Lehman Brothers.

The bonds were deemed adequately priced, yielding 24 basis points over the when-issued US Treasury note at their 99.592 re-offer price.

INTERNATIONAL BONDS

One of the lead managers said he placed some 95 per cent of his $110m allotment among eastern Asian investors. "We saw good demand from that region, following the borrower's extensive roadshow in July," he said.

The lira sector saw L150bn of 10.6 per cent four-year bonds for WestLB Europe which attracted some buying by investors in the Benelux region, Germany and Switzerland, according to an official at one of the joint leads. The deal was lead-managed by SBC and WestLB.

Despite the recent political upheavals in Italy which caused turmoil in currency and bond markets, investors are more positive on the prospect of convergence by high-yielding bonds, he said. Moreover, they are attracted by the high coupons these markets now offer.

Amid the cautious comeback by emerging market borrowers, the Argentine electricity distributor Empresa Distribuidora Sur – or Endesa – issued $50m of three-year floating-rate notes via Bear Stearns. The bonds pay a coupon of three-month Libor plus 400 basis points, which was seen to be a level which would generate investor interest.

The deal, which is targeted at European and US investors, had been widely pre-marketed and met with good interest, helped by the SEC's Rule 144a, which allows placement among US institutional investors, said the lead manager.

Although emerging markets remain clouded by expectations of a further interest rate rise in the US, sentiment has been buoyed in recent weeks by growing optimism over the outcome of the Mexican elections and the region's promising economic fundamentals.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
LB Rheinland-Pfalz	300	6.75	99.592R	Sep.1997	0.1875R	+24 (WI 3yr)	Goldman(Asia)/Lehman Asia
Edesur‡	50	(a)	100.00R	Aug.1997	0.75R	-	Bear Stearns International
ITALIAN LIRE							
WestLB Europe(b)	150bn	10.60	101.60	Sep.1998	1.625	-	Swiss Bank Corp.
SWISS FRANCS							
Aderans Co.(b,c)★★§	100	0.875#	100.00	Aug.1998	1.50	-	Nikko Bank (Switz.)

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. ★★Private placement. §Convertible. ‡Floating rate note. R: fixed re-offer price; fees are shown at the re-offer level. a) 3-mth Libor +400bp. b) Long 1st coupon. c) Fixing: 11/8/94. Callable from 31/8/95 subject to 130% parity rule. Clauses for revision of conv price and fixed exchange rate.

Goldstar merger meets opposition

By John Burton in Seoul

Shareholders in Goldstar, South Korea's second largest electronics company, are opposing plans for its merger with loss-making Goldstar Telecommunications, a sister subsidiary of the Lucky-Goldstar group.

"It's one of the first times that institutional shareholders have complained about a corporate merger in Korea," said Mr Andrew Holland, head of research at BZW Securities in Seoul.

Corporate mergers are usually non-controversial affairs in Korea because of the close cross-holdings arrangements among subsidiaries of the country's main conglomerates and the normally passive role of shareholders.

Goldstar said the merger, which will occur at the beginning of 1995, will strengthen efforts to enter the multimedia business.

Shareholder objections focus on two areas. One is that the merger terms, under which 10 common shares of Goldstar Telecommunications will be traded for four Goldstar common shares, are too generous considering the telecommunications company's large debt/equity ratio of 1,768 per cent.

The other complaint is that the merger threatens to slow down what has been a rapid rise in profit growth for Goldstar during the past 18 months.

Goldstar reported net profits of Won65.6bn ($81.7m) last year and Won79.2bn for the first half of 1994.

In contrast, Goldstar Telecommunications had a loss of Won23.7bn last year and an estimated loss of Won10bn for the first half of 1994.

The losses result from interest payments on its debt of Won418bn and price-cutting in the heavily-competitive area of telephone equipment, which is the main business of Goldstar Telecommunications.

Analysts believe Goldstar shareholders will not be able to stop the merger but may demand that the company repurchase their shares, which could increase pressure on Goldstar profits. The merger must be approved at a shareholders' meeting on September 29. The largest shareholder in Goldstar is Lucky, the group's petrochemical unit, with a 6 per cent share.

Kuwaiti bank reports KD26m interim profit

National Bank of Kuwait (NBK), the emirate's largest commercial bank, reported net profit after provisions of KD26.25m ($88m) for the first six months of 1994, Reuter reports from Kuwait.

There was no comparison with the corresponding 1993 period because this is the first year Kuwaiti banks have been required to report half-year earnings under new central bank regulations. However, the result is in line with 1993 full-year profits of KD52m.

The group's total assets rose to KD3.535bn as of June 30 1994 from KD3.267bn at the end of calendar 1993. The loan portfolio grew to KD1.153bn from KD1.086bn.

Syndicated loan for Spain

By Antonia Sharpe

Volatile conditions in the bond markets, its traditional funding source, have prompted the Kingdom of Spain to return to the syndicated loans market to secure standby liquidity.

Its new Ecu6bn five-year revolving credit facility, which is being arranged by Chemical Bank, comes one year after NatWest Capital Markets put in place a Ecu5bn three-year facility. About one-third of the latter has been drawn down.

Banks are keen to lend to Spain, which has a double-A credit rating and a zero-risk weighting, but some in the syndicated loans market have decided not to participate in the multi-currency deal because ofthe terms.

Their criticism is levelled mainly at the large underwriting commitments: Ecu750m for senior lead managers and Ecu500m for lead managers. These levels pose problems for banks at or close to their country limit as a result of underwriting last year's loan.

Their feathers have also been ruffled by Chemical's decision to invite around 25 banks and to publish the terms before the deal is underwritten. This more open strategy runs counter to the practice of not disclosing terms until a small underwriting group has been formed.

They add that Chemical is breaking the market practice of reducing underwriters' commitments on a pro-rata basis if a deal is oversubscribed. Chemical's Ecu1.65bn commitment will be reduced to Ecu800m before commitments taken on by other senior lead managers are reduced.

Chemical confirmed there had been some declines but said three banks had already committed at the higher level. "The strategy has been put in place to get the best results and to bring the banks as close as possible to their desired targets," said an official. In the case of senior lead managers, this was Ecu375m, and Ecu250m for lead managers.

Spain will pay an annual interest rate of Libor plus 4.5 basis points and a facility fee of 4.25 basis points. Underwriting fees for senior lead managers are 2.5 basis points and lead managers 2 basis points.

Macquarie Bank converts London office to branch

By Nikki Tait in Sydney

Macquarie Bank, the Sydney-based investment bank, has had its application for a UK banking licence approved. As a result, the bank said that it was formally converting its London office to UK branch status from yesterday.

The bank, which is owned by more than 40 institutions, with the UK's Hill Samuel holding the largest single stake, has been putting increased emphasis on international expansion recently.

London is its largest centre outside Australia, and Mr Allan Moss, managing director, said yesterday that the current aim was to develop a "more diverse European client base in centres including Spain, Italy, Denmark, Finland and Norway" – countries where Macquarie has had a limited presence.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.000	09/04	98.8400	-1.080	9.49	9.57	9.74
Belgium		7.250	04/04	95.1800	-0.120	7.97	7.95	7.92
Canada *		6.500	06/04	83.7500	+0.100	9.03	9.20	9.32
Denmark		7.000	12/04	91.6500	-0.620	8.22	8.00	8.35
France	BTAN	8.000	05/98	103.7500	-0.200	6.81	6.53	6.90
	OAT	5.500	04/04	87.2400	-0.300	7.38	7.25	7.44
Germany Bund		6.750	05/04	99.0100	-0.210	6.89	6.81	6.97
Italy		8.500	04/04	87.6400	-0.110	10.57†	10.56	10.48
Japan	No 119	4.800	06/99	103.5550	-0.130	3.93	3.66	3.61
		4.100	12/03	96.5380	+0.030	4.63	4.41	4.39
Netherlands		5.750	01/04	91.8000	-0.300	6.96	6.85	6.91
Spain		8.000	05/04	88.1500	-	10.30	10.20	10.77
UK Gilts		8.000	08/99	91-12	+6/32	8.14	8.30	8.10
		6.750	11/04	89-02	+11/32	8.35	8.49	8.36
		9.000	10/08	104-24	+12/32	8.42	8.55	8.41
US Treasury *		7.250	05/04	99-28	-4/32	7.27	7.13	7.45
		6.250	08/23	85-01	-2/32	7.53	7.41	7.72
ECU (French Govt)		6.000	04/04	87.5700	-0.210	7.87	7.80	8.02

London closing. *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime		Treasury Bills and Bond Yields			
		One month	4.38	Two year	6.21
Prime rate	$7\frac{1}{4}$	Two month	4.58	Three year	6.49
Broker loan rate	$5\frac{1}{2}$	Three month	4.59	Five year	6.93
Fed.funds	$4\frac{7}{16}$	Six month	5.11	10-year	7.27
Fed.funds at intervention	-	One year	5.57	30-year	7.54

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	116.72	116.66	-0.34	116.85	116.54	49,701	112,934
Dec	115.86	115.78	-0.36	115.86	115.72	883	18,246
Mar	115.14	115.08	-0.38	115.14	115.14	272	3,008

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Sep	Calls Dec	Calls Mar	Puts Sep	Puts Dec	Puts Mar
115	1.98	-	-	0.33	-	-
116	1.24	1.84	-	0.58	2.02	-
117	0.60	1.28	-	0.95	-	-
118	0.22	0.88	-	-	-	-
119	0.08	0.56	-	-	-	-

Est. vol. total, Calls 21,334 Puts 20,345. Previous day's open int., Calls 373,881 Puts 324,624.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	93.36	93.08	-0.33	93.39	93.04	58352	153857
Dec	92.66	92.35	-0.36	92.66	92.31	2157	23761

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Sep	Calls Oct	Calls Nov	Calls Dec	Puts Sep	Puts Oct	Puts Nov	Puts Dec
9300	0.54	0.56	0.85	1.04	0.46	1.21	1.50	1.69
9350	0.30	0.38	0.65	0.83	0.72	1.53	1.80	1.98
9400	0.15	0.25	0.48	0.65	1.07	1.90	2.13	2.30

Est. vol. total, Calls 10321 Puts 11584. Previous day's open int., Calls 274188 Puts 281510

■ NOTIONAL MEDIUM TERM GERMAN GOVT. BOND (BOBL)(LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	-	98.07	-0.11	-	-	0	76

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	102.71	102.73	-0.27	103.02	102.70	8568	81037
Dec	101.71	101.46	-0.34	101.71	101.50	86	317

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Sep	Calls Dec	Puts Sep	Puts Dec
10250	0.98	1.30	0.75	2.34
10300	0.72	1.11	0.99	2.65
10350	0.51	0.95	1.28	2.99

Est. vol. total, Calls 1021 Puts 387. Previous day's open int., Calls 38882 Puts 33101

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	91.50	91.45	-0.20	91.78	91.42	18,450	98,203
Dec	-	91.50	-	-	-	-	787

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	102-06	102-21	+0-11	103-00	102-03	31265	117919
Dec	102-05	102-05	+0-11	102-05	102-05	14	1510

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Sep	Calls Dec	Puts Sep	Puts Dec
102	1-28	2-43	0-50	2-33
103	0-57	2-13	1-15	3-03
104	0-32	1-51	1-54	3-41

Est. vol. total, Calls 8078 Puts 4606. Previous day's open int., Calls 77842 Puts 63364

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	84.30	84.30	-0.18	84.50	84.26	637	7,598
Dec	-	83.86	-0.18	-	-	-	-

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Sep	103-00	103-04	+0-01	103-09	102-30	476,865	387,128
Dec	102-10	102-14	+0-02	102-17	102-08	8,689	69,778
Mar	101-22	101-23	+0-03	101-24	101-22	230	4,142

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Sep	107.87	-	-	107.93	107.57	2232	0
Dec	106.95	-	-	107.00	106.85	1591	0

* LIFFE contracts traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price indices UK Gilts	Mon Aug 8	Day's change %	Fri Aug 5	Accrued interest	xd adj. ytd
1 Up to 5 years (23)	121.06	+0.17	120.86	1.89	6.91
2 5-15 years (22)	140.81	+0.33	140.35	1.53	8.39
3 Over 15 years (9)	158.05	+0.47	157.31	1.59	8.24
4 Irredeemables (6)	181.33	+1.72	178.27	2.77	7.36
5 All stocks (60)	138.27	+0.31	137.84	1.69	7.90
Index-linked					
6 Up to 5 years (2)	186.74	+0.01	186.73	1.77	2.53
7 Over 5 years (11)	172.91	+0.43	172.17	0.72	3.25
8 All stocks (13)	173.46	+0.39	172.79	0.82	3.16
Debentures and Loans					
9 Debs & Loans (75)	130.79	+0.37	130.34	3.11	5.90

	Low coupon yield Aug 8	Aug 5	Yr. ago	Medium coupon yield Aug 8	Aug 5	Yr. ago	High coupon yield Aug 8	Aug 5	Yr. ago
5 yrs	8.20	8.24	6.49	8.36	8.41	6.62	8.47	8.52	6.81
15 yrs	8.31	8.38	7.34	8.44	8.49	7.48	8.67	8.74	7.72
20 yrs	8.29	8.36	7.48	8.44	8.49	7.55	8.52	8.61	7.75
Irred.†	8.37	8.52	7.63						

	Inflation 5% Aug 8	Aug 5	Yr. ago	Inflation 10% Aug 8	Aug 5	Yr. ago
Up to 5 yrs	3.91	3.81	2.83	2.89	2.88	2.08
Over 5 yrs	3.85	3.88	3.33	3.67	3.70	3.16

	5 year yield Aug 8	Aug 5	Yr. ago	15 year yield Aug 8	Aug 5	Yr. ago	25 year yield Aug 8	Aug 5	Yr. ago
Debs & Loans	9.49	9.49	8.02	9.41	9.43	8.37	9.35	9.37	8.53

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Aug 8	Aug 5	Aug 4	Aug 3	Aug 2	Yr ago	High*	Low*
Govt. Secs. (UK)	92.56	92.21	92.78	93.12	92.69	100.39	107.04	90.99
Fixed Interest	111.14	111.01	111.54	111.65	111.02	121.44	133.87	107.33

* for 1994. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974

GILT EDGED ACTIVITY INDICES

	Aug 5	Aug 4	Aug 3	Aug 2	Aug 1
Gilt Edged bargains	68.9	79.7	79.6	77.4	74.1
5-day average	76.1	79.8	82.5	88.0	87.2

UK GILTS PRICES

	Notes	Yield Int	Yield Red	Price £	+ or –	1994 High	1994 Low
Shorts (Lives up to Five Years)							
Treas 9pc 1994‡‡		8.91	5.40	$100\frac{11}{16}$	...	$103\frac{11}{16}$	$100\frac{5}{8}$
12pc 1995		11.86	5.63	$102\frac{7}{8}$	...	$107\frac{3}{16}$	$102\frac{11}{16}$
Exch 3pc Gas 90-95		3.05	5.30	$98\frac{7}{32}$	...	$98\frac{9}{16}$	$97\frac{1}{4}$
10¼pc 1995		9.89	6.31	$103\frac{5}{8}$	...	$107\frac{13}{16}$	$103\frac{5}{8}$
Treas 12¾pc 1995‡‡		11.88	6.63	$107\frac{3}{16}$	...	$113\frac{3}{4}$	$107\frac{3}{16}$
14pc 1996		12.76	6.82	$109\frac{11}{16}$	...	$117\frac{1}{16}$	$109\frac{11}{16}$
[illegible]							

	Notes	Yield Int	Yield Red	Price £	+ or –	1994 High	1994 Low
Treas 11½pc 2001-4		10.14	8.83	$113\frac{3}{8}$	$-\frac{1}{4}$	$129\frac{11}{16}$	$110\frac{7}{8}$
Funding 3½pc '99-4		4.72	7.22	$74\frac{3}{16}$	$+\frac{3}{8}$	$88\frac{3}{8}$	$71\frac{1}{16}$
Conversion 9½pc 2004		8.91	8.49	$106\frac{5}{8}$	$+\frac{3}{8}$	$125\frac{3}{16}$	103
Treas 6¾pc 2004‡‡		7.58	8.34	$89\frac{1}{16}$	$+\frac{11}{32}$	$105\frac{1}{8}$	$85\frac{13}{16}$
Conv 9½pc 2005		8.87	8.47	$107\frac{1}{8}$	$+\frac{7}{16}$	$125\frac{1}{2}$	$103\frac{7}{8}$
Treas 12½pc 2003-5		10.17	8.81	$122\frac{13}{16}$	$+\frac{13}{32}$	$143\frac{1}{16}$	$119\frac{3}{16}$
7½pc 2006‡‡		8.16	8.43	$94\frac{11}{16}$xd	$+\frac{11}{32}$	$112\frac{11}{16}$	$91\frac{1}{2}$
[illegible]							

Index-Linked	Notes (b)	Yield (1)	Yield (2)	Price £	+ or –	1994 High	1994 Low
2pc '96	(67.9)	2.84	4.04	$199\frac{3}{16}$	...	$205\frac{5}{8}$	$197\frac{13}{16}$
4⅝pc '98‡‡	(135.6)	2.92	3.67	$107\frac{1}{4}$	...	$113\frac{3}{16}$	$106\frac{3}{16}$
2½pc '01	(78.3)	3.43	3.83	$165\frac{1}{4}$	$+\frac{1}{4}$	$176\frac{5}{8}$	$163\frac{1}{2}$
2½pc '03	(78.8)	3.54	3.86	161	$+\frac{1}{4}$	$173\frac{3}{4}$	$158\frac{3}{4}$
4⅜pc '04‡‡	(135.6)	3.57	3.80	$108\frac{13}{16}$	$+\frac{1}{2}$	$118\frac{3}{8}$	$107\frac{1}{8}$
2pc '06	(69.5)	3.57	3.80	$167\frac{13}{16}$	$+\frac{3}{8}$	$184\frac{13}{16}$	$165\frac{3}{8}$
[illegible]							

Other Fixed Interest

[illegible]

● 'Tap' stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds.

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on August 8

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	$91\frac{1}{2}$	$91\frac{3}{4}$	$-\frac{1}{4}$	7.87
Alberta Province 7⅝ 98	1000	$101\frac{1}{4}$	$101\frac{5}{8}$	$-\frac{1}{8}$	7.26
Austria 8½ 00	400	105	$105\frac{3}{8}$	$-\frac{1}{4}$	7.34
Bank of Tokyo 8⅝ 96	100	$102\frac{1}{4}$	103	$-\frac{1}{4}$	6.84
Belgium 5½ 03	1000	85	$85\frac{1}{4}$	$-\frac{1}{4}$	7.83
BFCE 7¾ 97	150	102	$102\frac{3}{8}$	$-\frac{1}{8}$	6.85
[illegible]					
United Kingdom 7¼ 97	5500	$102\frac{1}{2}$	$102\frac{1}{2}$		6.23
Volkswagen Intl Fin 7 03	1000	$98\frac{1}{8}$	$98\frac{3}{8}$	$+\frac{3}{8}$	7.29
World Bank 0 15	2000	$22\frac{7}{8}$	$23\frac{3}{8}$	$-\frac{1}{4}$	7.15
World Bank 5⅜ 03	3000	$92\frac{1}{8}$	$92\frac{1}{8}$	$-\frac{1}{8}$	7.06
World Bank 8¾ 00	1250	$111\frac{1}{4}$	$111\frac{5}{8}$	$-\frac{1}{8}$	6.32
SWISS FRANC STRAIGHTS					
[illegible]					
Abbey Natl Treasury 8 03 £	1000	93	$93\frac{3}{8}$	$+\frac{1}{8}$	9.19
Alliance Leics 11⅞ 97 £	100	$107\frac{3}{8}$	$107\frac{3}{4}$	$+\frac{1}{8}$	8.23
British Land 8⅞ 23 £	150	$89\frac{3}{4}$	$90\frac{1}{4}$	$+\frac{1}{8}$	10.21
Denmark 6¾ 98 £	800	$94\frac{1}{2}$	$94\frac{3}{4}$	$+\frac{1}{8}$	8.41
EIB 10 97 £	637	$104\frac{3}{8}$	$104\frac{3}{4}$	$-\frac{1}{8}$	7.95
Halifax 10⅜ 97 £	100	105	$105\frac{3}{8}$	$-\frac{1}{8}$	8.10
Hanson 10⅜ 97 £	500	$104\frac{3}{4}$	$105\frac{1}{8}$	$+\frac{1}{8}$	8.59
[illegible]					

FLOATING RATE NOTES

[illegible]

CONVERTIBLE BONDS

[illegible]

STRAIGHT BONDS: The yield is the redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Raised offer wins approval but depends on Takeover Panel decision

Great Southern falls to SCI

By Simon Davies

Service Corporation International yesterday won its hostile bid for Great Southern Group, the UK funeral company, after gaining the approval of the previously antagonistic Field family with its third cash offer for the company.

Last Tuesday's offer of 680p a share was raised to 775p after Great Southern entered negotiations with Loewen Group, SCI's main US competitor. However, Loewen was only prepared to make a 690p cash offer.

SCI's latest offer depends on the failure of an appeal by Vancouver-based Loewen, which has objected to the fact that SCI's previous final offer listed no conditions under which its bid could be raised.

The bid from SCI demonstrates its determination to break into the fragmented UK funeral market. It plans a rapid expansion, spearheaded by Great Southern.

The 775p offer values the company at £112.9m, and represents a 63 per cent premium over the 475p share price before SCI made its first offer.

It is offering 309p per convertible share.

The Field family, which has a three-hundred-year history in the funeral business, will raise £56m from the sale of its interests in Great Southern. Mr Barry Field, MP for the Isle of Wight, will get close to £8m for his personal shareholding in JD Field, the private company which owns a 56 per cent stake in Great Southern.

The offer still depends on Wednesday's decision from the Takeover Panel on whether SCI can increase last Tuesday's final offer.

It is a suitably controversial ending to what has been an extraordinary takeover battle. Hostile bids have been virtually unheard of in the funeral business, and the Field family were clearly shocked by the arrival of Mr Bill Heiligbrodt, SCI's larger-than-life president.

Mr Heiligbrodt made every effort to force a dialogue with the Field family, but the clash of styles made this difficult. At one stage, Great Southern refused to discuss the offer unless the price did not begin with a 6, while their offer document was described by Mr Heiligbrodt as "garbage".

There were numerous ironies. SCI had been invited to look at Great Southern by people closely connected with the Field family and the company, even though the company claimed a united front against the US aggressor.

But as the prices rose, the Field family decided they would sell out; it was just a question of price.

SCI always said it would pay a significant premium for a recommended offer, and Mr Heiligbrodt said yesterday that he was delighted that the Field family had backed his third cash price.

By contrast, the Field family's original negotiating position had been an 800p offer, and the final bid is closer than had ever seemed likely.

The only distressed party appears to be Loewen Group. But even assuming its appeal is unsuccessful, it will have the comfort that its main rival in the increasingly competitive market for US funeral acquisitions will be £13.8m the poorer for Loewen's involvement.

Signet criticised by US holders

By Tim Burt

Signet, the jewellery group formerly known as Ratners, was yesterday criticised by disaffected shareholders for failing to address their demands for a capital reconstruction.

The San Francisco-based Delta Dividend Group said it would press ahead with plans to requisition an extraordinary meeting after receiving an "inadequate response" to proposals for a restructuring and repayment of dividend arrears.

Preference dividends have not been paid since early 1992, and arrears in the year to January 29 stood at £58m (£30.3m).

Mr David Gale, president, said the US investors – holding variable term preference shares worth about $29m (£19m) – were disappointed by a letter from Signet which rejected their calls. "We haven't been paid dividends for two and a half years, and I'm not sure the company has the means to compensate us," he said.

The US group had urged the company to relist the preference shares on Nasdaq; appoint a majority of non-executive directors; cap discretionary bonuses and restructure the capital.

Delta, which claims to have backing from UK-based preference holders, said it would decide shortly on a set of resolutions.

Acatos shares jump 19p on link-up with supplier

By Andrew Bolger

Shares in Acatos & Hutcheson rose by 19p to 335p after the edible oils and fats manufacturing group said it had reached agreement with an international supplier to take a 22.5 per cent stake in the company.

Acatos declined to identify the supplier, and said the agreement to subscribe for new shares was subject to contract. The company put out a statement late on Friday evening, after market rumours had pushed its share price up 33p during last week.

Acatos said the two companies intended to co-operate on various areas of business of mutual interest and advantage. The proposed share subscription would be based on a price of 288p, the level at which Acatos' shares closed on Thursday.

Analysts said one possible candidate was Archer Daniels Midland, the US agribusiness group which supplies Acatos's biggest refinery in London's Docklands and which likes to take stakes in trading partners.

The edible oils market is dominated by international, privately-owned companies such as Cargill of the US and Bunge y Born of Argentina. Other players include Unilever, the Anglo-Dutch group that dominates the UK branded edible oils market, and Aarhus of Denmark.

Analysts said Acatos – which is the biggest supplier of own-label food oils and margarine in the UK, with about a 30 per market share – has long wanted to move beyond the UK.

In 1990 it pulled out of an unsuccessful joint venture in Spain, writing off £6.9m.

In the same year, Mr Ian Hutcheson, chairman, abandoned an attempt to take the group private after he could not reach agreement with potential institutional investors.

The group's weekend statement also said it was proceeding with a planned reconstruction of the 37.1 per cent shareholding currently controlled by Acatos Limited, a private company which owns the shares previously owned by Mr Hutcheson, his family and other parties.

Advisers are working on a scheme to improve the shares' liquidity by making it easier for stakeholders in the private company to sell their shares.

The group said it hoped agreement on this would be reached before its year-end on September 30.

Tiphook dismisses rights issue speculation

Tiphook, the debt-laden transport leasing group, will report its annual results on Thursday – the figures had been expected yesterday in some quarters. The company blamed a mix-up with the Stock Exchange for the confusion, writes Andrew Bolger.

Speculation that Tiphook might announce a rights issue was dismissed by a source close to the group, who said its five principal banks had pledged their support for four years and a rights issue at this stage was "out of the question". The speculation caused the shares to drop from 38p to 30p last week, but they were unchanged yesterday at 34p.

Tiphook is expected to show a substantial loss for the year to April. The group escaped liquidation in March by selling its biggest asset, the container business, to Transamerica, the US financial services group, for an initial £673m. Tiphook still has debts of about £500m.

London City launches revised offer for Towles

London City Equities has made a revised 275p per share offer for Towles, the lossmaking clothing manufacturer.

The Australian investment group made its original offer of 265p per ordinary share at the end of May.

With a 51 per cent stake in the company but only 14 per cent of the voting rights, London City said at that time it was making the offer because it was "outraged" at Towles' continuing losses.

The offers for the other classes of share remain at 115p cash for each A ordinary share; 52p for each A preference share and 78p per B preference share.

The directors of Towles have indicated that they will accept the revised offer in respect of their entire beneficial holdings – representing 33.8 per cent – and have unanimously recommended that shareholders also should accept.

Sales expansion and cost control behind Inspec rise

By Tim Burt

Inspec Group, the speciality chemicals company which came to the market earlier this year, yesterday announced a sharp increase in first-half profits following strong volume growth and tight cost controls.

Pre-tax profits more than doubled from £2.86m to £6.91m in the six months to June 30, on sales ahead 46 per cent at £35m (£23.9m)

Mr John Hollowood, chairman, said the outcome demonstrated the group's progress since its March flotation, which raised £49.5m.

The figures were flattered, however, by £1.05m of exceptional gains following early repayment of a vendor loan to BP Chemicals – the group's former owners – and by first-time contributions from Allco, the US speciality acids business acquired last December for $20m (£12.9m).

Although the group declined to reveal the exact size of Allco's profits, analysts estimated it contributed about £500,000 to increased operating profits of £6.41m (£3.54m).

On a pro forma basis – assuming Allco had been acquired at the beginning of 1993 – operating profits rose 30 per cent from £4.92m.

Mr Hollowood said the improvement had been underpinned by increased demand in its three core areas: coating intermediaries, synthetic lubricants, and Allco's speciality acids.

"Allco has turned out to be a real gem," he added. "But there's been strong organic growth; we've increased capacity and kept a tight control on fixed costs."

The group also plans to exploit sustained growth in Britain and the US by investing £5m on new facilities at its Hythe plant near Southampton and $5m on increased capacity at Allco in Kansas.

Earnings per share came out at 6.9p – 5.5p excluding exceptional items – and an interim dividend of 1.33p is declared.

The shares, floated at 160p, closed up 3p at 231p.

John Hollowood: plans investment in UK and US

Where there are necks there is money

Tim Burt reports on Tie Rack's airports-based international growth plan

Swiss rail commuters are about to get a taste of British retailing. Tie Rack, the specialist neckwear and fashion business, is opening a store at the Hauptbahnhof in Zurich – marking another stage of its international expansion plan.

The retailer, which calls itself the "smallest multinational in town", predicts steady demand at the city railway station for products ranging from fancy silk boxer shorts to all manner of neckwear.

Its confidence is based on a tried and tested format: Tie Rack opened its first station store at Bank, on the London Underground, 12 years ago. Since then it has exported the concept to 14 countries.

Regarding travellers as a captive market, the group has opened shops at rail hubs, 15 international airports and – most recently – on four ferries operated by DFDS, the Scandinavian shipping line. It has also opened a third outlet at Dallas-Fort Worth airport and plans shops at stations serving the Channel tunnel.

Complementing its 243 high street outlets, the 64 transport-linked shops have become an integral part of the group's growth, which was underlined earlier this year when it announced a 31 per cent increase in annual pre-tax profits to £6.67m on turnover ahead 17 per cent at £78.2m.

For Mr Roy Bishko, the chairman who founded Tie Rack in 1981 and floated it six years later, the results represent a triumph of concept shopping over niche retailing.

Indeed, niche is almost a banned word at the company's west London headquarters, where the buying and merchandise departments overflow with non-core products such as jewellery, scarves, silk clothing, underwear and accessories.

"If Tie Rack was a single product company, we would have long since passed away," says Mr Bishko. "I have spent my time all these years building up the range of products that Tie Rack sells so that we would not be dependent on one single item."

He blames such dependence for the collapse of copy-cat retailers such as Sock Shop, Blouse House, Tooth Booth and Shave Shop.

Arguing forcefully that his business is a broadly-based international concern, he adds: "Niche is a swear word in my opinion and, at best, it has a derogatory connotation."

Tie Rack's product range may have protected it from the worst effects of recession and volatile consumer spending, but even the irrepressible Mr Bishko sounded a note of caution in his recent results statement.

He hinted that sales could decline marginally this year amid worsening trading conditions in some of Tie Rack's key European markets.

Although new shops are said to be performing strongly, the shares have fallen almost 10 per cent since the results were announced and closed yesterday at 141p.

Mr Bishko shrugs off the muted City reaction, and ponders whether the company's trading statement was "perhaps too honest for the market".

Claiming also that cash generation was more important than the share price, he predicted that increased sales – enhanced by some 30 new stores due to open this year, half of them overseas – could lift net cash balances from £11.2m to more than £13m.

His unbridled optimism is tempered only by the admission that one market has not been kind to the company – North America.

Tony Andrews

Roy Bishko: 'If Tie Rack was a single product company, we would have long since passed away'

The group was almost undone by a poorly controlled US expansion plan which left it with losses, expensive stores in the wrong places, and hefty rationalisation charges.

Losses in the US last year climbed from £58,000 to £482,000 as the group closed unprofitable shops and made significant write-downs. But Mr Bishko, who wears a watch permanently set to Eastern Standard Time, refuses to regard the market as an Achilles' heel and points instead to lucrative new outlets at airports in Pittsburg, Denver and Dallas.

New shops may offset problems in cities such as New York and Atlanta. But Tie Rack's success probably owes more to improved quality and innovation, which last year helped it bring out 1,000 new tie and 500 new scarf designs.

It also depends on low overheads at overseas outlets, which are supplied directly from the group's London headquarters.

Mr Bishko may be the "ideas man" acclaimed for that progress, but it is doubtful he would have succeeded had it not been for the conservative influence of Mr Nigel McGinley, the chief executive recruited from Argyll in 1989.

He oversaw the group's 1991 rights issue, raising £3.2m to strengthen the balance sheet, and imposed the stock and cost controls necessary to withstand the recession.

He is the antithesis of Mr Bishko's effervescence. While the chairman talks of expansion and landlords who are "thrilled" to have Tie Rack on their property, Mr McGinley forecasts more US closures and an uncertain recovery.

"Several of our overseas markets are in recession, and in the UK tax increases may well hit people's spending power," he adds.

Some City analysts regard him as the company's saviour. "He screwed down the costs and improved the cashflow," according to one analyst. "I don't know where the company would be without him."

Mr McGinley's caution has proved an ideal foil to Mr Bishko, and their double act has ensured Tie Rack's growth. Despite their different styles, both are committed to further expansion in airports, where turnover is estimated at more than £1,000 per sq ft, and to exploiting new markets in east Asia.

The group has identified 50 airports where it would like to establish a presence, and has also begun considering a move into China from Hong Kong, where it has a franchise operation with Watson's, a retail division of Hutchison Whampoa.

Hailing the group's prospects, Mr Bishko says: "As long as people have necks, there will be a pretty big market out there."

NEWS IN BRIEF

AMBERLEY GROUP has received acceptances in respect of 12.5m new ordinary shares, representing 92.9 per cent of the rights offer.

COPYMORE has sold the distribution division of its Birmingham-based subsidiary to Interface Systems International for £750,000 cash for goodwill and some £600,000 for stocks.

DIXONS MOTORS has expanded its dealership network via the addition of a second Nissan franchise. Dixon has acquired a 125 year lease on 1.5 acres in Halifax and has planning permission for a showroom and workshop. An investment of some £1m is involved in the premises and working capital.

ELECTROCONNECT, a subsidiary of Prestwick Holdings, is to be bought for £1.6m by a management buy-out team backed by Murray Johnstone and Scottish Enterprise.

EXCALIBUR: Recent rights issue received acceptance in respect of 12.6m shares, representing some 83.6 per cent of the offer of 15m shares.

GREEN PROPERTY is at an advanced stage in negotiations to buy companies that own the Nassau building in Dublin, valued at I£20m (£19.7m). The purchase would involve the issue of up to 4.35m shares at 150p per share.

HIGH GOSFORTH Park: Agreed offer from Northern Racing declared wholly unconditional.

LOPEX'S Toronto-based advertising subsidiary Miller Myers Bruce Dallas Costa has filed a bankruptcy petition under Canadian law. In the first half of this year the subsidiary incurred a £175,000 pre-tax loss.

PARITY, formerly Comac Group, has bought Class, an IT training and consultancy. The consideration of £500,000 will be met by £265,000 cash, £157,000 of loan notes and the issue of 65,000 shares.

RADIUS is acquiring Avalon Systems, a Leicester-based computer software company. The total consideration of £848,000 is to be satisfied by the issue of 547,945 Radius shares at 36.5p each, loan notes to the value of £250,000 and the balance in cash out of Radius's resources.

SIMON ENGINEERING has purchased the remaining 19 per cent minority interest in Sutton Bridge Wharfage from Lands Improvement Group for £500,000 cash.

WIDNEY has raised £500,000 with a placing of 5m shares at 10p. The proceeds will be used to part-fund the £1m acquisition of Applied Digital Devices.

WILTON GROUP has changed its name to Pacific Media.

NEWS DIGEST

Waterhouse boardroom shuffle

Shares of Waterhouse Group, the USM-traded office fittings company, yesterday jumped 17p to 58p after Quest Gold, a Hong Kong registered company, acquired a 29.9 per cent stake at 65.35p per share.

The seller was Landworth Investments, a company associated with Mr Robert Ackland, Waterhouse chairman, and Mr Andrew Wadsworth and Mr Denis Ryan, both directors. All three have resigned from the board.

Mr D Ip has taken over as chairman and his associates, Mr D Sparrow, Mr P Emerson and Mr K Chan have been appointed directors.

Equifax seeks recommendation

Equifax, the US credit information business, said yesterday that it continued to seek the recommendation for its increased cash offer of 600p per share for UAPT-Infolink, the UK credit reference company.

In yesterday's Financial Times an announcement published spelling out the cash offer made by Barings on behalf of Equifax said that it was recommended.

UAPT-Infolink said yesterday that shareholders should be aware that this offer has not been recommended by the UAPT board.

Mid Kent accepts Ofwat price controls

Mid Kent Holdings said price controls imposed on its Mid Kent Water subsidiary by Ofwat, the water industry's regulatory body, fell short of what it wanted but that it had decided to accept the limits.

"Although the K factors determined fall short of those considered desirable to fulfil services to customers described in our market plan, we have decided to accept the determination," the directors said.

"It is inevitable, with the curtailment necessary in expenditure, that not all customer expectations identified in the plan will be met," they added.

Bemrose $5.65m buy builds US side

Bemrose Corporation, the security and promotional printer, has completed its $5.65m (£3.66m) purchase of Ritepoint, a Missouri-based manufacturer of promotional products.

Bemrose, which last year used the proceeds of two rights issues to buy Barnard and Jackson, the UK-based diary publishers, and acquire the outstanding 50 per cent of its US joint venture company, said net book value of the assets acquired was $6.2m. Operating losses for the year to January 29 are estimated at about $350,000.

Court Cavendish annual meeting

The annual meeting of Court Cavendish Group at 100, Liverpool Street, EC, on Thursday August 11 will take place at noon, not at 9.30am as announced in the Financial Times on Monday.

Save & Prosper net asset value up 2%

Save & Prosper Linked Investment Trust had a net asset value per capital share of £12.33p on June 30, a 2 per cent rise on the comparable figure of £12.10p at end-June 1993. Net asset value per income share was unchanged at 100p.

The total distribution for the year is 33.5p (44.1p) per income share, comprising a first interim of 19.6p and a second of 13.9p. Earnings per income share were 32.91p (44.58p).

Bowthorpe expands with £4.4m buy

Bowthorpe, the electrical and electronic components group, has purchased the business and certain net assets of Bohlin Instruments from Metric (Netherlands) for £4.4m cash.

Bohlin's products are used to measure flow and deformation of materials such as paint and plastic.

Johnson Fry Second Utilities Trust

Johnson Fry Second Utilities Trust had a net asset value of 75.7p per ordinary income share at June 30.

Total shareholder's funds at that date amounted to £36.3m, down 11.28 per cent on the £40.9m at the trust's inception in November; The FT-SE-A Utilities Index fell by 11.55 per cent during the same period.

Revenue after tax for the period amounted to £1.22m for earnings of 4.22p per share. A second interim dividend of 1.5p brings the total to date to 3p.

Fidelity Japanese Values improves

Fidelity Japanese Values, a new investment trust specialising in smaller Japanese companies, reported a net asset value per share of 103.32p at June 30, against 96p when it was launched on March 15 – a 7.6 per cent advance.

That compared with an increase of 5.6 per cent in the FT-A Japan Index.

Net revenue for the period amounted to £382,000, and earnings per share emerged at 0.36p.

At the end of June the company had some 80 per cent of its funds invested.

Partco pays £2.4m for distributor

Partco Group, the distributor of parts for cars and light commercial vehicles which came to the market in March, is acquiring Woodhead RSR from Carclo Engineering for about £2.4m in cash on completion.

Woodhead distributes replacement components for heavy commercial vehicles and public service vehicles from 32 branches in the UK and the Irish Republic. In the year to March 31 it made pre-tax profits of £173,000 on turnover of about £19.5m. Net assets being acquired have a book value of about £3.9m.

Cray Electronics wins cable business

Cray Electronics announced that its specialist computer software division had won orders totalling more than £5m from a number of the leading cable franchise operators in the UK, giving it a 40 per cent share of the UK cable TV market.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Gartmore Amer ....int	1♥	Oct 3	1	-	4
Inspec ....int	1.33	Nov 10	-	-	-
Mid Wynd Intl ....fin	3.7	Oct 21	3.6	6.2	6
Trade Indemnity ....int	0.4	Nov 28	-	-	0.5
Trans World § ....int	nil	-	0.3	-	1.3

Dividends shown pence per share net except where otherwise stated. §USM stock. ♥First interim.

Trade Indemnity sees business failures fall

By Simon Davies

Trade Indemnity, the trade credit insurance company, yesterday demonstrated the impact of an improving economy, as gross claims against policies from its continuing operations fell by 43 per cent in the first half of 1994.

The group does not disclose interim profits, but it emphasised its confidence in the latest recovery by declaring an interim dividend of 0.4p, the first interim payment since 1990.

Trade Indemnity has mirrored the strength of the UK economy, because of its broad exposure to business failures.

The company said that business failures had dropped by 42 per cent in the first half of this year, and gross claims paid from continuing operations fell by a similar proportion from £51.4m to £29.5m.

In addition, Trade Indemnity achieved an increase in gross premium income to £74.4m (£71.3m), up 4.3 per cent from 1993.

Mr Victor Jacob, managing director, said that failures and claims were falling, and while demand for the company's products might be expected to be muted following a recession, it was, in fact, increasing.

However, the recent Court of Appeal decision on the Investors' Compensation Scheme, which was underwritten by Trade Indemnity, has resulted in an additional £7.5m provision against further claims.

The Court decision could result in additional claims resulting from bad pensions advice given by failed independent advisers covered by the ICS. The company is planning to appeal.

Further negative news came from the company's investment portfolio, which experienced a £10.6m decline in value during the first half of the year, reflecting the weakness in bond and equity markets.

Investment income on its £100m portfolio fell from £2.21m to £1.99m, but as a long-term investor, Trade Indemnity will not be required to make provisions against the portfolio at the year end.

Victor Jacob: demand for company's products increasing

Pillar public offer 5 times subscribed

The public offer of shares in Pillar Property Investments was subscribed five times, Barclays de Zoete Wedd said yesterday.

A placing of 60m shares at 150p apiece to institutional and other shareholders, valuing the group at about £170m, was announced last month; 15m shares were subject to clawback under the terms of the public offer. In the event, applications were received for 74.9m shares and allocations have been scaled down.

Investors applying for between 200 and 400 shares will receive 200 shares; between 600 and 1,000, 300 shares; for 1,500, 375 shares; between 2,000 and 15,000, 20 per cent; between 20,000 and 30,000, 17.5 per cent and for more than 30,000, 15 per cent.

Dealings will commence on August 15.

See Lex

Woolwich edges ahead in competitive market

By John Gapper, Banking Editor

The competitive pressures in the UK mortgage market were yesterday illustrated when Woolwich, the third largest UK building society, reported a 1.5 per cent improvement in first half operating profits from £161m to £163m.

Pre-tax profits rose to £133m (£87.9m) as provisions for bad and doubtful debts fell to £29.9m (£72.7m). The society's general reserve rose to £1.33bn (£1.16bn), and gross capital rose to £1.71bn (£1.46bn).

Net interest income rose only slightly to £249m (£241m) while income from other sources rose to £79.5m (£75.3m). Operating profits were reduced by a rise in administrative expenses to £166m (£156m).

Mr Donald Kirkham, the society's chief executive, said it had built on the good results of last year "notwithstanding difficult market conditions". He said that the mortgage market had been characterised by "intense competition".

Mr Kirkham said the trading outlook was good, with a steady recovery in the housing market. He predicted that house prices would rise by 3 per cent during the year, while housing transactions would grow by some 6 to 7 per cent.

The society's total mortgage lending dropped to £1.3bn (£1.6bn), and net retail receipts fell to just £22m (£389m). The society said that both mortgage and savings markets had been "far more price-competitive than expected".

The gross ratio of capital to assets grew by 0.4 percentage points to 7.4 per cent, while the solvency ratio of capital to risk-weighted assets rose to 13.1 per cent (13.7 per cent).

Trans World accepts Emap offer

By Graham Deller

Trans World Communications, the Preston-based local radio group, yesterday advised shareholders to accept the £71m bid from Emap, the media concern.

Directors, who had led a fierce battle to maintain USM-quoted Trans World's independence, grudgingly admitted defeat in the wake of the High Court ruling last week that the decision by the Radio Authority, the industry regulator, to sanction the deal should be upheld.

The ruling, which could spark a widespread rationalisation of the commercial radio industry, appeared to expose a loophole in the 1990 Broadcasting Act.

By acquiring Trans World, Emap will hoist its radio licenses from three to eight – two more than present regulations permit. It plans to set up a joint venture with Schroders, its merchant bankers, to allow two of the licences to be "warehoused".

Trans World yesterday warned shareholders that they may be left with a limited market for their shares if they did not accept Emap's final offer of 181p per share.

Directors reiterated, however, that in their view, the offer "represents an inadequate premium for control" and failed to show a "full reflection of improving performance and prospects".

To illustrate the latter point, Trans World's results for the six months to June 30 were also released yesterday, showing pre-tax profits of £1.29m, against £254,000 last time.

Turnover jumped 30 per cent to £7.43m (£5.71m), including a near-50 per cent leap in national airtime advertising sales. Earnings per share improved from 0.5p to 2.3p but "in view of the offer" the interim dividend is omitted (0.3p).

Emap shares rose 7p to 430p; Trans World's dipped 1p to 179p.

Weir's selective strategy pays off

As Britain's engineering companies emerge from recession, the short-term domestic outlook looks reasonably bright. But for many, prospects for sustained long-term growth lie beyond the mature markets of the UK, continental Europe and North America. Returns will be higher in the fast-growing developing and industrialising economies of Asia – China, the Asian "tigers" and countries still only on the edge of the commercial map such as Vietnam and Burma. In the first of a summer series, Andrew Baxter looks at how UK engineering companies are gearing up for this growth and talks to some of their top executives working in the region.

TACKLING ASIA'S TIGERS

Along with all UK engineering company executives in Asia, Mr Gerry Malley believes there are tremendous opportunities across the region. "Asia is bubbling over," he says. But, as one would expect from the general manager (Asia) of Weir Group, the Glasgow-based pumps and engineering products company, Mr Malley is not letting euphoria go to his head.

"We made a decision early on to do the hard things," he says. "We are very selective in what we bid for and will not be all things to all men; there are some areas where we can't compete."

Rather than try and sell what Mr Malley calls "bread-and-butter stuff", Weir is going for the high-technology markets, where the products are not made in Asia.

Mr Malley, who has been based in Asia for 11 years, says he is "still amazed at the ignorance of people" trying to exploit opportunities in the region.

"There are huge differences between countries and within countries. With China, for example, you have to look at every province differently. But some companies don't focus on an initial target – they just spill around Asia without identifying opportunities."

The selective strategy is already paying dividends for Weir. A strong export performance in the Pacific Rim was one of the bright spots for the group last year, when pre-tax profits slipped from £39.2m to £37.5m overall; Weir Pumps won orders for pumps and related equipment from power stations at Zouxian in China, Budge Budge in Calcutta, and the Ulchin nuclear power plants in South Korea, while Hopkinsons, Weir Group's valve company, benefited from Weir Pumps' success and also won contracts in its own right for power stations including Shajiao in China and Taean in South Korea.

This year there have been further contracts worth at least £10m from the power generation industry in the region for Hopkinsons, Weir Pumps and recently-acquired Darchem Engineering, which is supplying insulation systems to a Hong Kong power station. Weir says India and east Asia should continue to offer the most promising long-term opportunities in the power market because of the shortage of generating capacity and the rapid growth in economies.

Gerry Malley: after 11 years' experience, he can see some of the mistakes being made by UK companies looking for business

Outside power, Weir's biggest coup this year was through Strachan & Henshaw, which won a £5m contract in China to supply two rail car dumper systems for the Qinhuangdao coal export terminal.

Weir is well used to competition, and Mr Malley says it is giving a good account of itself in Asia even if margins are hard-pressed.

"European competitors tend to be patchy, as we all are here," he says. "The US are strong in Taiwan and the Philippines but are not making an impact relative to their size, and the Japanese are being strangled by the yen. We've seen a lot less of them in the region over the last four to five years."

There is room for Weir to expand, he says. The Asia/Pacific region, excluding India, accounted for 15 per cent of Weir's sales last year, and Mr Malley sees no reason why it should not be 25 per cent in three to five years.

To achieve this, a number of changes have been made. Mr Malley, formerly with Weir Pumps, has been given group responsibility for the region stretching from Sri Lanka to New Zealand. He hopes to use Weir Pumps' experience to help other parts of the group generate more sales, but without reducing their independence. Weir Pumps comprise 70 per cent of sales in the region, but a better balance between pumps and other products is achievable, he says.

Mr Malley's role should also help the group win more contract "packages" involving more than one business – for example, pumps and valves.

Allied to this is a stronger presence on the ground. The valves business will soon have its own local sales manager based, like Mr Malley, in Hong Kong and focusing on China and Korea. Strachan & Henshaw appointed its own sales manager in May, also based in Hong Kong. A Singapore office was reopened last year after a gap of a decade. The regional base will remain in Hong Kong, but Mr Malley says he is "looking back" at the opportunities in south-east Asia. "People like to have you on the doorstep," he says.

Weir is bidding to supply pumps, valves and bulk-handling equipment for the planned Tuas power station in Singapore, and Mr Malley sees further opportunities in the water and sewage sector as the island state upgrades its housing.

Indonesia represents a very large market opportunity, he says, and he remains hopeful about Malaysia – although supplying equipment for any public power station contracts will have to wait for the end of the Malaysian trade ban.

BUSINESS AND THE LAW

Export ban illegal even if not applied

EUROPEAN COURT

A clause prohibiting exports by its very nature restricted competition even if it was not actually implemented by the parties, the Court of First Instance held recently. The Court also found fines could be imposed on undertakings even if they were not aware they had infringed EC competition provisions. Finally, it was held that, when imposing such a fine, the Commission should only consider the turnover derived from products to which the infringement related, as opposed to undertakings' total turnover.

These findings were made in two cases before the Court relating to a distribution agreement between Parker Pen Ltd and Herlitz AG of Germany. Herlitz had refused to supply a Dutch company with Parker products because of a distribution agreement clause banning exports outside Germany. The Dutch company complained to the Commission, resulting in the imposition of fines on both Parker and Herlitz. Both challenged the Commission decision before the CFI.

Herlitz argued it was not dealing with Parker products on a wholesale basis but only sought to complete its own range of products of office equipment which it merely delivered to its own retail shops. Hence Herlitz never intended actually to trade in Parker products, which is why it had neither the interest nor the intention of preventing parallel imports by relying on the export ban clause. The sole purpose of this clause was to enable Herlitz politely to refuse unwelcome demands. Also, the ban had no practical effect as Herlitz's products suited only German-speakers.

The CFI held an export ban, by its nature, restricted competition. The mere existence of such a clause could create a "visual and psychological" effect sufficient to make it unlawful, even if it had not been implemented. On the facts, however, the Court found Herlitz had invoked the clause to refuse to supply the Dutch complainant. Finally, the CFI concluded that, for an infringement of EC competition law to be intentional, so allowing the Commission to fine the undertaking, the undertaking did not have to have been aware of an actual infringement of EC competition provisions. It was sufficient that it was aware that the object of the offending conduct was to restrict competition.

In its own appeal, Parker argued further grounds: first, the export ban did not appreciably affect trade between member states; second, the Commission had no interest in proceeding against Parker because the former had declined, in the absence of any public interest, to pursue a related complaint by the Dutch complainant; third, the Commission had not fined other companies accused of similar practices and, by fining Parker, the Commission had infringed the principle of equal treatment; and fourth, the fine was disproportionate.

The Court held on the first point that it was necessary to look at the position and importance of the parties in the relevant market. If sales of at least one of the parties constituted a not inconsiderable proportion of the relevant market, EC competition rules should apply. The CFI concluded from the files that the respective position of the parties on the market was, in principle, capable of affecting intra-Community trade.

On the second point, the Court held the Commission had correctly used its discretion and not erred in law. On the third point, the Court reiterated European Court case law, which held an undertaking, having breached EC competition law, could not escape without penalty by arguing another trader had not been fined for similar conduct. On the final point, the Court held an appropriate fine could not be fixed by a simple calculation on total turnover, as had been done by the Commission in the present case. Rather, the Commission should only have considered the turnover of the goods to which the infringement related. Since Parker's turnover in those products accounted for only a relatively low proportion of this total turnover, the fine was disproportionate and so had to be reduced.

Cases T-66/92 and T-77/92: Herlitz AG v Commission; Parker Pen Ltd v Commission CFI 1CH July 14 1994

BRICK COURT CHAMBERS, BRUSSELS

Role of the outsider

Leo Herzel reviews changes in US corporate governance and case law

In the world of US corporate governance, outside directors appear to be taking control of large public companies away from the erstwhile imperial chief executive officer. Two of the more striking examples are General Motors and IBM. There appear to be several reasons for this change.

First, courts are becoming much tougher on company directors. Good examples are the Delaware Supreme Court opinions in *Cede & Co v Technicolor Inc*[1], *Paramount Communications Inc v QVC Network Inc*[2], and *Kahn v Lynch Communication Systems Inc*[3]. In each case, the defendants were board members of a company which had agreed to an acquisition by a favoured buyer. The Delaware Supreme Court had some fairly hard words for directors whose decisions are not entirely independent. Opinions of this kind spur directors to assert their independence from the chief executive officer, and from a controlling shareholder, when there is one.

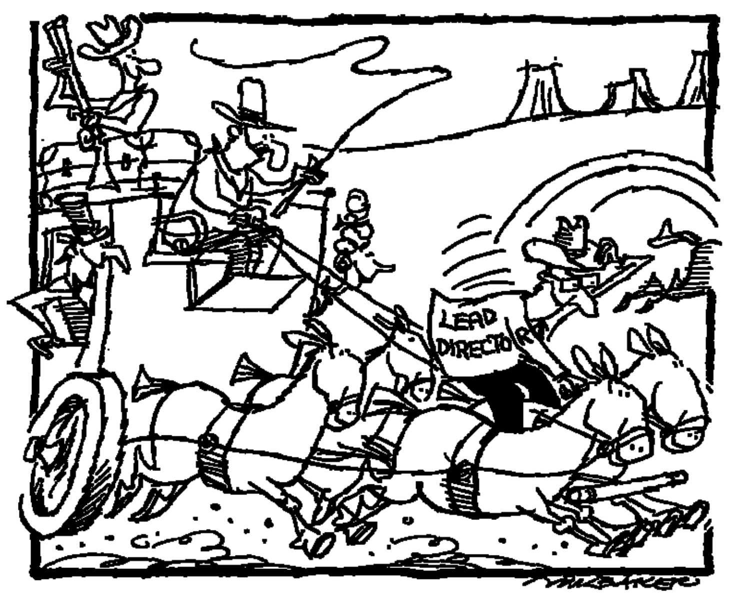
Pressure on boards from institutional investors is also an important factor. Courts and institutional shareholders have also been highly influenced by the commentary of academic lawyers, economists and a better informed financial press on the role directors should play in corporate governance.

On many corporate governance reforms, the US appears to be ahead of the European Union. Compensation and audit committees consisting of outside directors are the rule in public companies. Nominating (or corporate governance) committees of outside directors, which control the selection of directors, are becoming widespread.

On the other hand, in the US, the positions of CEO and chairman of the board are usually still combined. However, the idea of a lead director, around whom the outside directors can mobilise when the CEO is also chairman of the board, is catching on. For example, although at present GM has an outside chairman of the board, the concept of a lead director is the second item on its new, widely publicised board guidelines on significant corporate governance issues.

It remains unclear what effect these changes have had on corporate performance. Unfriendly takeovers, the primary testing ground for corporate governance, in the 1980s have declined, primarily for economic reasons.

However, it is possible that one reason for the decline could be improved corporate governance, as directors reorganise companies before an overt takeover threat. But since many of these reorganisations have come late in the day, after the companies have suffered a great deal of damage, it is hard to view them as clear evidence of the new effectiveness of outside directors.



Bad laws

The US legal system remains a big problem. For a long time, it has been suffocating under an accumulation of bad laws, and this state of affairs is becoming worse.

It is relatively easy to pass a new law in the US, but almost impossible to eliminate an existing bad one. Bad laws of any importance quickly develop a devoted following of powerful pressure groups who benefit greatly from them. The general public usually is relatively indifferent, not organised and ineffective. This is a crucial problem, since a large proportion of laws in any society inevitably turns out to be bad.

Courts provide some help in limiting the damage from bad laws, but not enough. One aggravating factor in the US is the constitutional right to trial by jury, combined with the reluctance of courts to dismiss legally weak cases at an early stage, before a jury trial. The result is that defendants must often settle for large sums or face the risk of even larger damages in a jury trial, possibly trebled under some statutes or with punitive damages added.

An extreme example of such a dangerous statute, where the courts have not helped as much as they should, is RICO, the federal treble-damage racketeering law. Congress has not eliminated or modified RICO, because it is a favourite of plaintiffs' lawyers, who are a powerful political pressure group.

However, in *Reves v Ernst & Young*[4], the US Supreme Court took an important but cautious step to rein in this absurd statute. The court held that Ernst & Young did not conduct or participate in the management of an auditing client through a pattern of racketeering activity when it reported a key asset of the client at a highly inflated value. However, the court is probably barred by its own precedents from what might to an outsider appear an obvious commonsense idea, that auditors are not racketeers.

But in *Central Bank of Denver v First Interstate Bank of Denver*[5], the US Supreme Court was a little more daring. Overturning many years of lower court precedent, the court held there is no aiding and abetting liability under section 10(b) and rule 10b-5 of the Securities Exchange Act of 1934, on the ground that the language of the statute does not cover giving aid to a person who commits a fraudulent act. Since section 10(b) and rule 10b-5 are the heart of federal securities anti-fraud law, the case may be helpful to accountants, lawyers and other service organisations such as banks and investment banks, who are the natural targets of aiding and abetting allegations in litigation.

And in *Honda Motor Co v Oberg*[6], the US Supreme Court released a favourable signal on punitive damages. The court held unconstitutional, as a deprivation of the federal constitutional right to procedural due process, an unusual Oregon constitutional provision, which prohibits judicial review of a jury's award of punitive damages unless the reviewing court can affirmatively say there is no evidence to support the award.

Although, because of the unusual nature of the Oregon constitutional provision, the Supreme Court's decision is narrow, some of the language in the court's opinion offers encouraging signs that the court may be getting ready to cope with some of the many problems of jury awards of punitive damages.

Contingent fees

Contingent fee litigation continues to be an important and deeply embedded element of the US legal system.

In the ordinary small litigation of individuals, the contingent fee system appears to work reasonably well. But in shareholder class actions, for example, lawyers usually have the only real economic interest on the plaintiffs' side. In fact, lawyers usually own 100 per cent of these cases, since shareholders' interests in the claims are generally dispersed and small.

Lawyers in the US have some intimidating governmental powers. The most important of these powers is an almost unlimited right to discover facts, including the interrogation of witnesses at depositions. In theory, courts regulate and control these powers but, in fact, they do very little. Thus a combination of right to trial by jury, lawyers' governmental powers, the intense self-interest of plaintiffs' lawyers in the outcome of high stake litigation and the possibility of treble or punitive damages has created a potent anti-social mixture.

Lawyers themselves are now becoming victims of the system. They are defendants in contingent fee litigation almost as often as accountants. But the plaintiffs' lawyers who are beneficiaries of the system are a much more focused and better organised group than the victims. There is therefore little sign of change.

[1] *634 A.2d 345 (1993).* [2] *637 A.2d 34 (1993).* [3] *638 A.2d 1110 (1994).* [4] *113 S.Ct. 1163 (1993).* [5] *114 S.Ct. 1439 (1994).* [6] *62 USLW 4627 (Jun 24 1994).*

The author is a partner of Mayer, Brown and Platt in Chicago

LEGAL BRIEFS

Shake-up for UK underwriters after Lords ruling

UK insurance law permitting underwriters to reject claims because of misrepresentation or non-disclosure has been substantially altered following a House of Lords judgment.

In Pine Top v Pan Atlantic, the Lords upheld the right of reinsurer Pine Top to refuse claims made in 1982 because of Pan Atlantic's claims history prior to then.

However, the Lords ruled that insured parties can defeat underwriters' right to refuse claims on the grounds of non-disclosure or misrepresentation if they can prove that had the underwriter known the full facts at the time, they would still have taken on the business on the same terms.

The ruling will have serious consequences for underwriters, say insurance lawyers. Mr Robert Viney of Davies Arnold Cooper, a London law firm, said underwriters may have to testify as to what induced them to write a particular risk and be cross-examined about their underwriting practices.

Insured parties are also likely to make sweeping requests for disclosure of underwriting files in an attempt to prove their cases, he said.

Lawyers' boss

Garth Linrup, partner and head of the European Union competition and commercial group at Manchester-based commercial law firm Addleshaw Sons & Latham, has been elected chairman of the Solicitors' European Group, which provides training for lawyers working in Europe.

Asia's fresh fields

Freshfields, a London law firm, has opened an office in Hanoi, Vietnam. The office is currently staffed with three lawyers, one British and two Vietnamese.

COMMODITIES AND AGRICULTURE

Kennecott under attack over diamond sampling

By Bernard Simon in Toronto

Canadian geologists and mining analysts have strongly criticised Kennecott, the US subsidiary of UK mining group RTZ, in the wake of disastrous sampling results from one of the most prominent properties in the Northwest Territories diamond rush.

The results have burst the bubble of euphoria which has enveloped the search for diamonds across a wide swathe of northern Canada during the past two years.

Share prices of companies involved in the stampede have crashed since Kennecott announced last Friday that results from the highly-touted Tli Kwi Cho kimberlite pipe were far below expectations.

Some of Kennecott's junior partners have lost more than 80 per cent of their market value. For example, Kettle River Resources plunged to C$1.99 early yesterday from C$11.75 just before Friday's announcement.

Mr John Idt, analyst at Dominick and Dominick Securities in Toronto, said yesterday the Tli Kwi Cho project was dead.

"Somebody might go back and look, but it will take a few years," Mr Idt said.

Kennecott owns 40 per cent of the DHK joint venture, which was rushing to prove that Tli Kwi Cho could rival the nearby Lac de Gras area, where a consortium comprising Australia's BHP Minerals and Dia-Met Minerals of Canada is expected to give the go-ahead later this year for North America's first diamond mine.

"In hindsight, Kennecott advanced the project too fast," said Mr Chris Jennings, president of SouthernEra Resources, which has a 10 per cent interest in Tli Kwi Cho.

"The mentality of catching up to BHP and Dia-Met cost them a lot of money, and at least a year," said Mr Jennings. Tli Kwi Cho is about 40km south-east of the BHP project.

Criticism centres on Kennecott's decision to go ahead with costly underground tests on the basis of samples which weighed less than 2 tonnes and were retrieved from about 50 narrow-diameter drill holes.

Kennecott has spent an estimated C$15m (US$10.9m) on the underground programme which involved bulk samples of 5,000 tonnes.

Mr Jennings said that Kennecott had "assumed an air of secrecy" towards other joint-venture participants.

He alleged that the US company refused to allow its junior partners to visit its sampling plant at Yellowknife. He also said that Kennecott failed to carry out a promise to advise them well in advance if results failed to live up to expectations.

Two principal kimberlite bodies were analysed from the Tli Kwi Cho pipe. The higher-grade body was especially disappointing, with fewer than 30 per cent of those diamonds more than 2mm in diameter classified as gem quality.

Kennecott concluded that the results were not sufficiently encouraging to justify further bulk sampling from Tli Kwi Cho.

Mr Jennings, who has wide experience in diamond exploration, said there was an "outside chance" that the samples were not representative of the whole pipe.

The joint venture is, however, now pinning its hopes for diamond exploration on other nearby pipes.

Vegetable farms take root in Guatemala

Edward Orlebar writes on a co-operative approach that has spurred an export market

Marcelino Chiroy, a 51-year-old farmer from Santiago Sacatepequez, has never looked back from the day a Swiss aid worker persuaded him to switch from growing maize and vegetables for the local market to growing cauliflower for export.

He used to own 8 cuerdas, or just over an acre. There were 3 cuerdas of maize to feed his family, and five to grow coriander, beetroot, lettuce and maize which he would sell at the bus terminal in Guatemala City, about an hour away.

That was more than 10 years ago. Since joining the co-operative Cuatro Pinos in Santiago Sacatepequez, he has acquired 6 manzanas – about 5 acres – through prudent saving, and put all five of his children through school.

Mr Chiroy, who is a Mayan Indian, still tills his 3 cuerdas of corn, the basic diet of his culture for thousands of years. On the rest of his land he grows broccoli, mange-tout – a type of sugar-pea – and has recently introduced radiccio.

"I did my sums and I realised I could earn about five times as much," he says.

The co-operative was the brain-child of Swiss aid workers who came to Santiago Sacatepequez, a village in the highlands west of Guatemala City, after a devastating earthquake in 1976 killed 25,000 people, mostly in and around the capital.

It provides technical assistance, health care, literacy teachers and cheap credit to its members, from whom it buys export quality vegetables. The co-operative has grown from a membership of 20 to nearly 2,000, says Mr Esteban Saz, the deputy general manager, who was among the original members.

In its first year of exports in 1982 the co-operative sent about 100,000lbs of mange-tous to the US. By last year exports had grown to more than 9.5m lbs of produce: principally mange-tout, but also peas, french beans, a range of baby vegetables, radiccio and raspberries.

About 85 per cent of exports goes to the US, air-freighted to Miami, and about 10 per cent to Europe, mostly to the UK.

It was not difficult to persuade the apparently conservative farmers to switch to producing vegetables for export, which they remain ambivalent about consuming, from their traditional crops of maize and beans.

"The incentive has been watching your neighbour buy a television, or even a pick-up," says Mr Luis Caniz, of the chamber of non-traditional exports.

Mr Caniz believes the co-operative model has been crucial in developing the burgeoning non-traditional agricultural sector, because it hired agronomists to teach the farmers new techniques, provided credit and encouraged reinvestment of profits by its members.

Many of the non-traditional export crops such as mange-tout and broccoli are labour intensive and lend themselves to being produced by small farmers, which has allowed Guatemala's highland Indians to be competitive, says Mr Caniz.

He estimates that about 80,000 indigenous people in the extremely poor and formerly war-ravaged western highlands derive their principal source of income from export vegetables, having switched from the traditional staples.

Export revenue from vegetables has boomed in recent years from $10.3m in 1986 to $53m in 1993.

Mange-tout cultivation is expanding at around 3,000 manzanas a year, according to the Chamber of Exporters, and it believes vegetable exports could double during the next 10 years.

PNG gold mine back in operation

By Nikki Tait in Sydney

The large Porgera gold mine in the Enga province of Papua New Guinea, began operating again at the weekend after an explosion last week which left 11 people missing, presumed dead. The blast occurred at the explosives facility, a short distance from the mine.

The project is one of the largest gold mines outside South Africa and an important revenue source for the PNG government which has a 25 per cent interest in it. Similar stakes are held by Placer Pacific, Renison Goldfields and Highlands Gold.

● BHP Coal Australia yesterday shut down coalmining operations at Moura in Queensland, as rescue teams tried to reach 11 people trapped underground in an accident on Sunday night. The mine has taken a heavy toll in the past: 12 people were killed there in 1986 and 13 in 1975.

Forecast of good Indian jute harvest offers relief to mills

By Kunal Bose in Calcutta

India, the world's biggest producer of jute, is expected to harvest a bumper jute crop of 9m bales of 180kg each in the 1994-95 season (July to June).

This should provide some relief to the local jute mills which paid a substantial premium over the minimum support price (MSP) for jute last year after a sharp setback in fibre production.

A spokesman for the Indian Jute Mills Association said the realisation of a price almost double the MSP during January to March had motivated the farmers in all centres to commit additional land under the crop. The jute commissioner's office says the land under jute in this season is up at least 30 per cent over 1993-94.

While the pre-monsoon showers allowed timely sowing, the good progress of the monsoon, except in parts of Bihar and north Bengal, has led to a quick and healthy growth of the crop.

"In most centres there is enough water in the tanks and canals for doing proper retting of jute," said a spokesman for the Jute Balers' Association.

The quality of Indian jute has often suffered due to improper retting resulting from inadequate water. The crop's quality this season will be particularly good in Assam and south Bengal.

The new season jute has started coming to the market in small quantities. Since the market arrival of the crop will start picking up from the middle of next month, the raw jute prices have remained firm.

TD-5, the benchmark grade, is quoting Rs700 ($22) a quintal, ready delivery, against the MSP of Rs470 a quintal. In anticipation of a big crop, however, the forward delivery prices are quoting around Rs600 a quintal.

In spite of the big crop, the growers hope to realise "remunerative prices for the fibre" throughout the season, because the year has opened with stocks of only 800,000 bales.

The total availability of fibre is estimated at 10.1m bales, including the likely import of 300,000 bales of high-quality fibre. The total fibre supply last year was 9.5m bales.

Industry officials say that while the jute mills will process about 8.2m bales, the requirement of the other sectors, including the paper mills, is around 600,000 bales. The next season will, therefore, open with stocks of 1.3m bales, or just over two months' requirement of fibre by the jute mills.

Bangladesh, the world's largest exporter of raw jute and jute goods, is also heading for a large crop of at least 5m bales, compared with 4.5m last year. Bangladesh exports regularly at least 1.5m bales of jute a year.

Coffee sees big plunge

Funds and speculators baled out of coffee in New York and London yesterday, sending prices plummeting.

The late sell-off in New York was largely technical, the market falling through previous resistance points with the same ease with which it soared after the two Brazilian frosts in June and July.

The absence of roaster buying did not help and both markets were anticipating Friday's publication of USDA figures on frost damage to the 1995/96 Brazilian crop, which traders expect to be less than Brazilian government estimates.

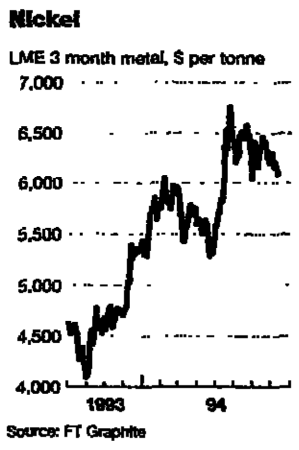
"It's a cascading technical sell-off," said Mr Bill O'Neill, coffee analyst at Merrill Lynch. "From a purely technical perspective, the close indicates this market has topped out."

The December position in New York closed at 184 cents a pound, down 22.50 cents, or nearly 11 per cent. Earlier in London, the November contract ended $160 lower at $3,390 a tonne, but above the recent low of $3,310 on July 29.

Supply deficit in nickel likely

Nickel

LME 3 month metal, $ per tonne



Source: FT Graphite

By Kenneth Gooding, Mining Correspondent

The nickel market is this year heading for its first supply deficit since 1990, according to the research team at Billiton-Enthoven Metals, part of the Royal Dutch/Shell group.

However, the deficit – forecast to be 8,000 tonnes – will be "only a drop in the ocean given the sizeable surpluses [totalling 110,000 tonnes] accumulated in the last three years".

So nickel prices are likely to be slightly lower in the second half of 1994 despite continuing strong demand from the stainless steel industry, the principal user of nickel.

Mr Angus MacMillan, Billiton's research manager, says nickel might ease back to $2.63 a lb ($5,800 a tonne) compared with last night's closing price of $2.76 a lb ($6,092.50 a tonne).

The CRU International consultancy group recently reported that 30,000 tonnes of nickel was waiting to be shipped from the port of Dudinka in Russia and another 10,000 tonnes was at Murmansk. Mr MacMillan says that, when this metal arrives in the west, London Metal Exchange warehouse stocks will rise, putting downward pressure on prices.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1429.5-30.5	1457-8
Previous	1421-2	1448.5-9
High/low		1464/1440
AM Official	1423-4	1450.5-1
Kerb close	282,523	1464-4.5
Open int.	26,713	
Total daily turnover		

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1475-80	1483-5
Previous	1460-5	1477-8
High/low		1485/1473
AM Official	1475-85	1480-90
Kerb close		1485-90
Open int.	2,849	
Total daily turnover	466	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	571-2	589-90
Previous	579-80	598-7
High/low	574	593/587
AM Official	573.5-4	591.5-2
Kerb close		587-8
Open int.	40,619	
Total daily turnover	7,617	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	6000-10	6090-5
Previous	6070-80	6160-70
High/low	5970	6150/6085
AM Official	5965-70	6060-5
Kerb close		6090-100
Open int.	55,097	
Total daily turnover	7,438	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5046-55	5120-5
Previous	5030-5	5100-5
High/low		5135/5100
AM Official	5050-5	5125-30
Kerb close		5125-30
Open int.	18,360	
Total daily turnover	2,873	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	935-6	958-9
Previous	937-8	959-60
High/low	936.5	960/956
AM Official	936-6.5	958-8.5
Kerb close		958-7
Open int.	105,148	
Total daily turnover	17,834	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2402-3	2402-3
Previous	2400-1	2403-4
High/low	2380/2375	2421/2377
AM Official	2306-7	2398-9
Kerb close		2412-3
Open int.	230,212	
Total daily turnover	46,249	

■ LME AM Official £/$ rate: 1.5400
LME Closing £/$ rate: 1.5420

Spot:1.5425 3 mths:1.5397 6 mths:1.5372 9 mths:1.5338

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	low	Open int	Vol
Aug	108.30	+1.65	108.80	108.25	159	48
Sep	108.60	+1.75	109.10	107.25	25,595	8,019
Oct	108.75	+1.65	-	-	823	90
Nov	108.95	+1.60	109.00	108.90	513	123
Dec	108.95	+1.50	109.40	107.70	12,617	2,142
Jan	108.70	+1.45	108.80	108.80	341	-
Total					46,371	10,873

PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

Gold (Troy oz.)	$ price	£ equiv.
Close	377.80-378.20	
Opening	378.10-378.50	
Morning fix	377.70	244.466
Afternoon fix	377.60	244.956
Day's High	378.10-378.50	
Day's Low	377.10-377.50	
Previous close	378.25-378.75	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	3.94	6 months	4.43
2 months	4.04	12 months	4.84
3 months	4.13		

Silver Fix	p/troy oz.	US cts equiv.
Spot	331.65	511.30
3 months	335.90	517.00
6 months	340.65	523.45
1 year	352.25	538.80

Gold Coins	$ price	£ equiv.
Krugerrand	383-386	248-252
Maple Leaf	388.35-390.80	-
New Sovereign	88-91	57-60

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Aug	376.7	-0.6	377.8	376.4	1,107	665
Sep	377.7	-0.6	-	-	-	-
Oct	379.3	-0.6	380.0	379.1	10,661	960
Dec	382.3	-0.6	383.1	381.9	91,580	21,808
Feb	385.7	-0.6	386.3	385.7	11,195	698
Apr	389.0	-0.6	-	-	6,497	103
Total					154,591	25,886

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Oct	408.8	-3.5	412.0	408.1	19,357	3,074
Jan	411.6	-3.5	412.0	411.0	3,347	546
Apr	414.3	-4.0	415.0	415.0	1,823	470
Jul	417.3	-4.0	-	-	401	450
Oct	420.8	-4.5	-	-	3	-
Total					24,931	4,540

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Sep	152.50	+0.10	153.00	151.50	4,670	416
Dec	151.75	+0.10	152.00	150.50	1,519	74
Mar	151.25	+0.10	-	-	192	10
Total					6,381	500

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Aug	510.3	-4.0	-	-	-	-
Sep	511.3	-4.0	514.5	510.5	73,304	14,199
Dec	518.3	-4.0	521.5	517.5	29,258	1,849
Jan	520.6	-4.0	-	-	34	1
Mar	526.0	-4.0	529.0	526.0	6,751	64
May	531.3	-4.0	-	-	3,834	-
Total					122,386	16,133

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Sep	19.64	+0.33	19.70	19.35	86,504	78,168
Oct	19.31	+0.34	19.35	19.13	62,136	32,744
Nov	19.04	+0.32	19.05	18.92	33,481	11,111
Dec	18.83	+0.31	18.85	18.70	47,835	16,363
Jan	18.68	+0.30	18.66	18.55	22,220	2,808
Feb	18.53	+0.27	18.53	18.43	14,297	1,475
Total					403,208	152,058

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Sep	17.96	+0.10	18.28	17.96	71,386	30,686
Oct	17.76	+0.18	17.97	17.75	46,950	14,628
Nov	17.61	+0.15	17.77	17.61	14,718	3,405
Dec	17.51	+0.18	17.59	17.45	17,801	1,847
Jan	17.38	+0.17	17.46	17.38	7,715	561
Feb	-	-	-	-	4,597	245
Total					173,852	51,884

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Sep	50.35	+1.17	50.60	49.50	32,980	29,858
Oct	51.25	+1.13	51.25	50.90	18,861	14,232
Nov	52.30	+1.08	52.30	51.90	14,438	7,849
Dec	53.30	+0.79	53.80	53.00	26,556	12,533
Jan	53.85	+0.84	53.90	53.50	15,521	1,269
Feb	54.10	+0.94	54.10	53.75	5,500	471
Total					138,525	67,508

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Aug	151.50	-4.00	154.25	151.50	19,412	5,517
Sep	155.50	-4.00	158.00	155.00	25,315	6,583
Oct	158.50	-3.25	161.25	159.00	18,328	4,677
Nov	162.00	-3.00	162.50	161.25	11,979	1,380
Dec	164.25	-2.50	165.25	163.00	15,993	1,409
Jan	165.50	-2.75	166.50	164.75	8,789	1,178
Total					105,896	20,736

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Open int	Vol
Sep	1.695	-0.024	1.750	1.690	25,072	13,213
Oct	1.835	-0.019	1.868	1.821	18,381	7,099
Nov	2.035	-0.009	2.050	2.020	11,629	2,590
Dec	2.192	-0.008	2.210	2.185	17,279	3,161
Jan	2.205	-0.008	2.215	2.195	11,762	1,495
Feb	2.140	-0.004	2.145	2.130	7,490	583
Total					127,547	30,184

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Sep	58.60	+0.39	59.20	58.30	42,076	24,657
Oct	55.25	+0.48	55.60	54.90	17,173	10,481
Nov	52.90	+0.69	53.00	52.40	11,669	3,357
Dec	57.85	+0.64	57.90	57.20	6,817	960
Jan	56.40	+0.39	56.40	56.20	2,622	147
Feb	55.80	+0.04	55.80	55.80	1,750	96
Total					82,307	39,878

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	105.35	-0.15	105.50	105.25	373	30
Nov	106.15	-0.35	106.50	106.00	2,275	17
Jan	108.20	-0.30	108.50	108.00	1,689	48
Mar	109.50	-0.50	109.50	109.50	713	18
May	111.50	-0.50	112.00	112.00	954	5
Jul	113.85	-	-	-	146	-
Total					6,150	118

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	334/4	-	336/4	333/0	14,594	2,566
Dec	348/2	-0/4	350/4	346/4	35,556	5,869
Mar	354/4	-0/6	357/0	353/4	9,145	593
May	348/6	-2/0	349/6	347/0	557	33
Jul	332/0	-0/2	332/4	331/2	1,135	35
Dec	342/0	-0/4	-	-	2	-
Total					60,969	9,208

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	219/6	+2/4	222/4	215/4	39,811	9,589
Dec	222/6	+3/0	225/2	217/6	123,332	10,704
Mar	231/4	+3/0	233/6	226/4	24,926	1,392
May	238/2	+3/2	240/2	233/0	10,169	286
Jul	242/4	+3/2	244/6	237/0	9,160	385
Sep	244/0	+3/0	245/0	244/0	810	5
Total					213,057	22,588

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	103.75	-0.25	103.95	103.95	111	10
Nov	104.90	-0.10	105.00	104.75	474	46
Jan	106.40	-0.35	106.75	106.50	82	26
Mar	108.15	-	-	-	27	-
May	109.60	-	-	-	1	-
Total					695	82

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Aug	584/0	+7/4	588/4	574/0	7,519	2,500
Sep	570/6	+4/2	577/0	562/4	14,448	2,894
Nov	563/2	+3/0	569/0	558/0	71,774	19,295
Jan	571/2	+2/6	576/4	564/0	11,040	1,526
Mar	580/4	+3/0	585/0	573/0	4,068	344
May	587/2	+3/2	591/4	580/0	3,094	314
Total					129,274	27,974

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Open int	Vol
Aug	24.54	-0.12	24.84	24.49	4,739	1,397
Sep	24.49	-0.11	24.82	24.45	22,168	5,514
Oct	24.30	-0.10	24.60	24.21	15,528	2,351
Dec	24.07	+0.04	24.39	23.90	36,035	10,420
Jan	24.05	+0.05	24.30	23.90	4,344	192
Mar	24.03	+0.01	24.28	23.90	4,808	516
Total					92,922	20,625

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Open int	Vol
Aug	174.9	+0.2	175.9	173.3	6,491	3,540
Sep	173.3	+0.6	174.9	171.6	19,098	4,319
Oct	172.0	+0.4	173.9	170.8	10,061	1,587
Dec	172.2	+0.6	174.0	170.7	31,983	4,812
Jan	173.0	+0.6	174.4	171.5	4,527	514
Mar	174.9	+0.6	176.1	173.3	4,971	448
Total					84,038	15,593

■ POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Nov	150.0	-	-	-	-	-
Mar	105.0	-	-	-	-	-
Apr	187.3	-13.2	195.0	180.0	1,234	230
May	235.0	-	-	-	-	-
Jun	107.5	-	-	-	-	-
Total					1,234	230

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Open int	Vol
Aug	1450	-10	1495	1490	639	5
Sep	1450	-8	1460	1449	533	48
Oct	1468	-2	1470	1465	597	33
Jan	1481	-4	1480	1480	280	28
Apr	1500	-	-	-	102	-
Jul	1350	-	-	-	60	-
Total					2,241	112

	Close	Prev
BFI	1475	1474

Tea
There was an improved and more general demand, reports the Tea Brokers' Association. Brightest east African teas were fully firm and medium descriptions sold readily at firm to dearer rates. Plainer sorts remained about steady. Ceylons were well supported with brighter teas often gaining several pence. The small selection on offer met good demand at firm rates. Quotations: best available 174p/kg, good 158p/kg, good medium 140p/kg, medium 122p/kg, low medium 84p/kg. The highest price realised this week was 186p/kg for a Kenya pf.1.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	1010	-27	1035	1008	18,213	1,852
Dec	1030	-25	1052	1028	28,069	4,090
Mar	1052	-23	1074	1049	29,736	959
May	1061	-26	1081	1061	10,372	223
Jul	1071	-26	1076	1070	4,222	20
Sep	1081	-25	1103	1082	8,194	251
Total					104,818	7,829

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	1342	-45	1390	1336	25,373	4,852
Dec	1390	-46	1427	1386	25,949	3,218
Mar	1430	-42	1460	1426	9,061	374
May	1450	-42	1475	1452	3,038	8
Jul	1470	-42	-	-	2,385	-
Sep	1490	-42	-	-	1,237	218
Total					72,818	8,796

■ COCOA (ICCO) (SDR's/tonne)

August 5	Price	Prev. day
Daily	1060.84	1065.42

■ COFFEE LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	3398	-176	3580	3397	15,449	1,731
Nov	3389	-161	3550	3390	9,175	2,110
Jan	3383	-160	3525	3370	8,289	981
Mar	3368	-157	3500	3350	3,903	73
May	3340	-160	3465	3375	1,011	12
Jul	3330	-128	-	-	28	-
Total					38,835	4,907

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	178.60	-24.15	198.25	178.00	17,826	5,818
Dec	183.60	-22.90	204.80	183.00	13,823	1,911
Mar	203.90	-6.00	208.50	203.90	5,413	274
May	205.00	-6.00	207.50	205.00	1,744	61
Jul	208.00	-6.00	210.00	208.00	350	2
Sep	207.00	-6.00	213.00	212.00	41	-
Total					39,435	8,068

■ COFFEE (ICO) (US cents/pound)

August 5	Price	Prev. day
Comp. daily	188.85	189.86
15 day average	191.64	193.14

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Oct	12.09	-0.01	-	-	1,801	-
Jan	11.82	-	-	-	-	-
Mar	11.95	-0.13	-	-	90	-
Total					1,891	-

■ WHITE SUGAR LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Oct	317.00	-2.30	318.90	316.00	11,056	655
Dec	314.10	-2.40	314.10	314.10	1,223	1
Mar	314.80	-2.20	316.00	314.00	4,687	213
May	314.60	-2.00	-	-	378	-
Aug	315.00	-1.90	315.50	315.50	409	27
Oct	302.00	-0.80	-	-	186	-
Total					17,937	896

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Oct	11.80	-0.08	11.87	11.78	62,330	7,225
Mar	11.80	-0.07	11.87	11.79	35,130	2,527
May	11.78	-0.09	11.80	11.75	8,447	594
Jul	11.69	-0.05	11.75	11.69	3,099	227
Oct	11.49	-0.09	11.50	11.47	1,413	24
Mar	11.36	-0.09	-	-	214	4
Total					111,838	18,601

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Aug	69.92	-1.21	-	-	1	-
Oct	70.85	-1.02	72.04	70.70	5,937	919
Dec	70.30	-0.98	71.20	70.15	27,277	3,310
Mar	71.74	-0.86	72.40	71.60	7,282	405
May	72.32	-0.93	72.95	72.56	4,325	118
Jul	72.95	-0.94	73.70	73.35	2,755	63
Total					49,047	4,881

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	95.35	+0.60	95.70	94.50	11,660	1,001
Nov	98.80	+0.30	99.00	98.35	3,389	218
Jan	102.35	+0.30	102.60	101.60	3,691	133
Mar	105.85	+0.65	105.75	105.00	2,489	8
May	108.10	+0.60	-	-	838	12
Jul	111.10	+0.60	111.10	110.50	228	10
Total					22,570	1,380

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Aug 8	Aug 5	month ago	year ago
2092.0	2098.1	2072.5	1650.2

■ CRB Futures (Base: 4/8/56=100)

Aug 5	Aug 4	month ago	year ago
231.98	232.45	228.51	216.64

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Aug	71.325	-0.875	72.050	70.775	14,018	6,051
Oct	73.200	-0.775	73.925	72.800	30,760	5,016
Dec	71.325	-0.625	71.900	70.725	13,766	1,898
Feb	70.175	-0.750	70.925	69.900	9,613	486
Apr	71.900	-0.425	72.350	71.750	5,435	485
Jun	69.000	-0.100	69.250	68.800	1,336	88
Total					75,161	14,068

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Aug	46.500	-	46.650	46.025	3,373	1,632
Oct	42.250	+0.275	42.300	41.800	12,455	2,190
Dec	41.825	+0.250	41.860	41.250	5,841	812
Feb	41.400	+0.250	41.500	41.100	1,836	211
Apr	40.350	+0.200	40.400	40.050	1,167	89
Jun	45.325	+0.150	45.400	45.050	446	36
Total					25,289	4,992

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Aug	33.025	+2.000	33.025	33.025	1,412	280
Feb	46.250	-0.400	47.450	45.900	6,532	1,158
Mar	45.800	-0.500	47.300	45.600	285	23
May	46.600	-0.450	47.800	46.600	45	3
Jul	47.700	-0.300	48.100	47.200	57	17
Aug	46.400	-0.300	-	46.400	19	7
Total					8,389	1,463

LONDON TRADED OPTIONS

Strike price $ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Sep	Dec	Sep	Dec
1425	48	94	22	44
1450	34	80	33	54
1475	23	67	47	66
■ COPPER (Grade A) LME	Sep	Dec	Sep	Dec
2350	100	129	27	75
2400	69	103	46	98
2450	45	81	71	125
■ COFFEE LCE	Sep	Nov	Sep	Nov
3500	65	286	167	397
3550	-	270	-	431
3600	-	255	-	466
■ COCOA LCE	Sep	Dec	Sep	Dec
1000	27	89	17	59
1050	8	65	48	85
1100	2	47	92	118
■ BRENT CRUDE IPE	Sep	Oct	Sep	Oct
1800	40	65	20	85
1850	13	60	-	-
1900	7	38	94	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Sep)

		+or-
Dubai	$16.60-6.64w	+0.255
Brent Blend (dated)	$17.85-7.87	+0.22
Brent Blend (Sep)	$18.10-8.12	+0.22
W.T.I. (1pm est)	$19.56-9.58w	+0.155

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

		+or-
Premium Gasoline	$214-215	-2.5
Gas Oil	$154-155	-5.0
Heavy Fuel Oil	$94-95	-2.0
Naphtha	$167-169	-1.0
Jet fuel	$170-171	-4.0

Petroleum Argus assessments

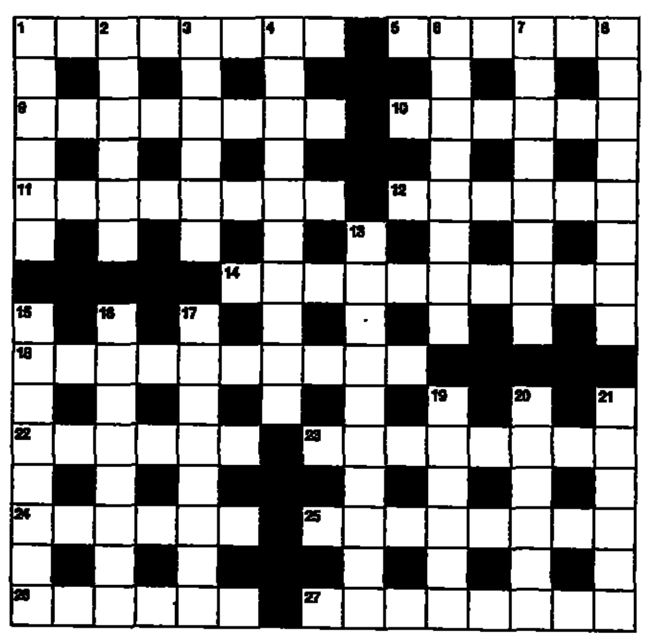
■ OTHER

		+or-
Gold (per troy oz)♣	$378.00	-0.50
Silver (per troy oz)♣	512.50c	-3.75
Platinum (per troy oz.)	$407.80	-2.25
Palladium (per troy oz.)	$149.75	+0.50
Copper (US prod.)	111.0c	
Lead (US prod.)	37.75c	
Tin (Kuala Lumpur)	13.00m	-0.16
Tin (New York)	236.5c	+1.0
Cattle (live weight)†©	119.22p	+4.50*
Sheep (live weight)†♣©	93.75p	+4.06*
Pigs (live weight)©	69.34p	+2.76*
Lon. day sugar (raw)	$305.60	-1.10
Lon. day sugar (wte)	$343.60	-0.40
Tate & Lyle export	£310.00	-2.00
Barley (Eng. feed)	£108.5t	
Maize (US No3 Yellow)	$142.5	
Wheat (US Dark North)	£160.0	
Rubber (Sep)♥	87.0p	
Rubber (Oct)♥	88.0p	
Rubber KL RSS No1 Aug	319.0m	+4.5
Coconut Oil (Phil)§	$610.0z	+10.0
Palm Oil (Malay.)§	$560.0w	+20.0
Copra (Phil)§	$382.0	
Soyabeans (US)	£176.0w	
Cotton Outlook 'A' index	78.70c	+0.75
Wooltops (64s Super)	440p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. t Oct/Dec. z Aug/Sep. w Sep. ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♣ Sheep (Live weight prices). * Change on week. © Prices are for previous day.

CROSSWORD

No.8,527 Set by CINEPHILE



ACROSS

1 Justifiable arrest: on your head be the final version (4,4)
5 Put on maybe strings of importance (6)
9 Willing to go to prison for a grouse, perhaps (4,4)
10 Introduction to painting or pumping? (6)
11 Lacking perseverance? No score when saint goes in (3-5)
12 Result of highball? (6)
14 Swift attack made short work of business regulator and literary king (10)
18 Giddy goat? (5,5)
22 It's just about to start (6)
23 Rocky place for United Nations' horses? (8)
24 Safe place: don't accept if guinea's changed to shilling (8)
25 Quarter acre portion back from manhole (4,4)
26 Gift of money (6)
27 Very attractive way to bear load (8)

DOWN

1 Fussiness about information makes one a butt (3-3)
2 Change of menu following compiler's proof (6)
3 Copper pieces need old measures (6)
4 Fifty or a hundred tulips displayed at the castle gate (10)
6 Bar on road gives entertainment to fish (8)
7 Give president powers in place of critic (8)
8 English conservationists take number from Russian museum (8)
13 Fiddle about a fish in former Russian town (10)
15 Request punishment? (3,3,2)
16 Lazy group in embarrassed flush (8)
17 H for Henry – God's offspring (8)
19 Effect of trying to read Proust? (6)
20 Sailor's brother coming up to suck up (6)
21 A certain amount of heat may be academic (6)

Solution to Saturday's prize puzzle on Saturday August 20.
Solution to yesterday's prize puzzle on Monday August 22.

LONDON STOCK EXCHANGE

MARKET REPORT

Economic data help shares to a firm close

By Terry Byland,
UK Stock Market Editor

Share prices held firm in London yesterday with the help of favourable news on domestic price inflation and consumer credit. Trading volume was unexciting, however, and the market had to struggle against the effects of ex-dividend quotations in a number of leading stocks.

London was overshadowed in the first half of the session by concern that the US Federal Reserve might raise interest rates in the wake of the strong US jobless figures announced on Friday afternoon. UK stocks edged forward towards the close as the US markets regained confidence.

At the close, the FT-SE 100 Index showed a gain of 4.4 at 3,171.9. The broader-based FT-SE Mid 250 Index continued its advance, closing a further 13.8 to the good at 3,728.7.

Traders responded positively to the disclosure that producer prices in the UK had risen by only 1.9 per cent in July, indicating that domestic inflation was still subdued and thus reducing pressures on the Bank of England to lift base rates. However, nervousness towards rate prospects continued, with market traders anxiously scanning comments in the European press by the Bank of England Governor.

Share prices made slow progress until the New York market opened; however. The rise in consumer credit in June was substantially greater than predicted in the stock market and retail and consumer issues responded well to this latest indication that retail spending might provide the backing for economic recovery.

The Dow Industrial Average was 10 points up at the London close, although UK markets remained wary of a move by the Federal Reserve during a trading week studded with important US economic data.

Seaq trading volume, at 547.3m shares, was about 6 per cent down from the previous session and left traders with a good deal of time on their hands. Friday's retail or genuine customer investment business in equities was worth £1.28bn. This figure is just about satisfactory, from the point of view of the London-based investment houses.

Strategists pointed to a generally unexciting performance across European bourses, which they said reflected the prospect of a difficult, lightly traded summer holiday week. In addition to the latest data on US retail sales and producer prices, this week brings another appearance before Congress of Mr Alan Greenspan, chairman of the US Federal Reserve, and a sizeable US funding programme. This morning, the London market faces the domestic trade figures for May.

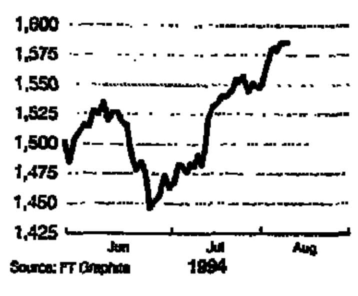
The UK markets are expected to remain quiet this month, barring any sudden move on US interest rates. In the wake of the Bank of England's Quarterly Bulletin published last week, equity market analysts hopes that the widely anticipated rise in UK base rates can be postponed, at least until next month.

The blue chip dollar stocks made little headway, in spite of the rally in New York. Hopes for news of a sizeable takeover move in the pharmaceuticals industry continued to circulate but trading volume died away. The big oil stocks could make little fresh response to activity in crude oil markets. There was a good deal of switching among banking stocks as institutions sought out the best growth opportunities.

The best gains came in the stores sector, where the domestic consumer credit figures brought in a few hopeful buyers. Most of the high street names managed to put on a few pence, but traders admitted that individual share volumes had not been particularly impressive.

There was some demand, once again, for UK construction stocks with German links following further evidence of recovery in the economy and the building industry in that country.

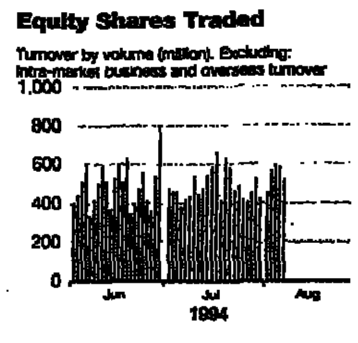
FT-SE-A All-Share Index



Source: FT Graphite

Equity Shares Traded

Turnover by volume (million). Excluding: Intra-market business and overseas turnover



■ Key Indicators

Indices and ratios

FT-SE 100	3171.9	+4.4	FT Ordinary Index	2477.0	+5.9
FT-SE Mid 250	3728.7	+13.8	FT-SE-A Non Fins p/e	19.97	(19.92)
FT-SE-A 350	1601.1	+3.0	FT-SE 100 Fut Sep	3185.0	+2.0
FT-SE-A All-Share	1587.71	+3.10	10 yr Gilt yield	8.47	(8.52)
FT-SE-A All-Share yield	3.75	(3.75)	Long gilt/equity yld ratio:	2.19	(2.30)

Best performing sectors

1 Engineering, Vehicles .... +1.2
2 Engineering .... +1.1
3 Retailers, General .... +1.0
4 Gas Distribution .... +0.9
5 Food Manufacturers .... +0.8

Worst performing sectors

1 Tobacco .... -4.5
2 Water .... -1.1
3 Household Goods .... -0.7
4 Oil, Integrated .... -0.4
5 Distributors .... -0.2

Reckitt off on buy talk

Household products group Reckitt & Colman slid on speculation that it was poised to buy Kodak's household products division for between $1.7bn and $2bn.

Reckitt ended the day down 7 at 614p as analysts wondered how the company would get hold of the necessary cash and decided that a tap on shareholders was the only way.

However, Lehman Brothers argued that Reckitt was an unlikely candidate and that global rivals Colgate-Palmolive, Unilever and Procter & Gamble were more plausible buyers.

Ms Jo Walton, Lehman's pharmaceuticals analyst, said the company would be able to service additional debt of only $1.55bn. She said it was more likely that the company could buy some lines of Kodak's Stirling Winthrop arm that might provide a good fit.

Meanwhile, Unilever, which reports second-quarter figures on Friday, strengthened 14 to 1081p. The Anglo-Dutch group is expected to announce profits of between £550m and £590m.

BA tumbles

British Airways tumbled 12 to 417p in heavy trading of 9.2m as investors took profits following first-quarter figures below market expectations.

Earnings of £88m fell short of the range of market forecasts of £90m to £95m. And although analysts were pleased with underlying profitability, they focused on the poor performance of the airline's associates such as TAT, the regional French carrier in which BA has a significant stake.

Charterhouse Tilney downgraded its full-year profits prediction by £15m to £425m and said: "Underlying profitability is well ahead of our expectations and growing strongly, but this is offset by the disappointing performance of the associates."

However, the fall came after a period of sustained strength. Since the market began to turn the corner at the end of June, BA shares have outperformed the FT-SE Actuaries All-Share Index by almost 7 per cent.

Regional electricity stocks generally maintained the strong progress made last week, anticipating a better than expected outcome to the distribution review which should be known on Thursday.

Dealers reported heavy switching out of Scottish Power, which closed at 389½p ex-dividend, and into Scottish Hydro-Electric, 16½ stronger at 389½p.

Dealers in the financial areas of the market braced themselves for the next set of interim figures from the big banks, those of Barclays, scheduled for this morning. Estimates of Barclays' interims range from £670m to £770m, with the dividend forecast expected to be lifted to 8p from last year's 6.5p.

Barclays moved up 5 to 564p, closely followed by TSB, 4½ firmer at 212½p.

Merchant banks, meanwhile, came in for some aggressive buying, with Kleinwort Benson climbing 8 to 530p in the wake of sizeable switching out of S.G. Warburg, down 6 at 777p, following the recent strong profits from the former.

The oil majors remained under pressure in spite of firmer crude oil prices yesterday, with dealers citing further switching out of the UK majors and into the US leaders.

BP was the worst affected, slipping 3½ to 406½p in heavy turnover of 12m shares, the heaviest individual turnover in the stock market yesterday. Shell held at 739p on 2m traded ahead of interim figures due on Thursday.

Some analysts said the market had become too complacent about the impact of the strike by workers in the Nigerian oilfields, which they felt could drive prices higher in the short term.

Enterprise Oil dipped 3 to 425p, the shares affected by talk of a broker sell note. There were also vague suggestions that the company had received a bid for the 10 per cent stake in Lasmo that it acquired in its unsuccessful takeover bid earlier this year. The latter edged up a penny to 156p.

Smith & Nephew was resilient at 159p in spite of announcing a spectacular loss on the sale of Ioptex, its US-based lens business, for £11m. It bought Ioptex in 1988 for $236m (£152.2m). Analysts said the loss was offset by the relief that S&N had finally got out of the business.

Amid continuing demand for the food retailers, there was a flurry of activity in William Low, the Scottish supermarket group which last week succumbed to a £248m bid from Tesco, with the shares advancing 3 to 363p. Tesco gained 1½ at 244p and Argyll 5 at 281p.

Profit-takers trimmed the recent gains in Associated British Foods, off 5 at 595p. Takeover talk retreated from Hazlewood Foods, down 2½ at 142½p. Unigate, a rumoured predator, gained 4 at 384p. Speculative buying again supported United Biscuits, ahead 2 at 338p.

Leading stores stocks were in demand as interest rate talk subsided. Great Universal Stores advanced 7 to 580p, WH Smith 15 to 484p, Kingfisher 5 to 515p and Marks and Spencer 7 to 431p.

Sears was unruffled by a weekend press report suggesting weak sales at one of its subsidiaries. The shares were steady at 121p.

The hot summer weather and hints of an easing of the wholesale price war were again inspiring demand for regional brewing groups. Among these, Regent Inns firmed 5 to 242p and Wolverhampton & Dudley 3 to 531p. Among the majors, Scottish & Newcastle rose 5 to 524p and Bass 3 to 576p.

However, Marston Thompson & Evershed was warning analysts at its agm that the good weather was being offset by hesitant consumer spending, and that profits upgrades would be premature. The shares edged forward 2 to 282p.

An agency cross and share buying by directors buoyed Grand Metropolitan, up 6 at 420p on turnover of 7.9m.

Advertising agency Saatchi & Saatchi was one of the star performers in London after the company posted first-half profits of £15.3m, against only £9.1m a year ago. The shares jumped 15 to 176p. WPP, which reports interim profits today, put on 3 at 111p and Aegis rose 2½ to 30½p, both on consideration of the Saatchi profits numbers.

The move by The Today newspaper to cut its price to 10p hit Daily Mail & General Trust "A" shares, which fell 20 to 1003p, The Telegraph, down 10 at 357p, and United Newspapers, the owner of the Daily Express, which fell 24 to 505p.

Emap gained 7 at 430p after Trans World decided to recommend the group's bid.

MARKET REPORTERS:
Steve Thompson,
Christopher Price,
Peter John, Joel Kibazo.

■ Other statistics, Page 18

NEW HIGHS AND LOWS FOR 1994

NEW HIGHS (57).
BUILDING & CNSTRN (1) Sheriff, BLDG MATLS & MCHTS (1) Waterhouse, CHEMICALS (1) ICI, DISTRIBUTORS (3) Eurodollar, Faber Prest, Polar, DIVERSIFIED INDLS (1) Sime Darby, ELECTRNC & ELECT EQUP (8) Acorn Computer, Dewhurst A, Domino Print, Microvitec, Pressac, Tadpole Tech., ENGINEERING (5) Bnl. Steel, Expamet Intl., Hampson, Ransomes, Do. 8¼p Prf., ENG. VEHICLES (3) Automotive Precision, GKN, Laird, EXTRACTIVE INDS (5) Coal Invs., Cons. Murchison, Redaurum, HEALTH CARE (1) Seton Healthcare, HOUSEHOLD GOODS (2) Osborne & Little, Swallowfield, INVESTMENT TRUSTS (8) INVESTMENT COMPANIES (1) LEISURE & HOTELS (2) Chrysalis, Ramsden's (H), MEDIA (4) Aegis, Dorling Kindersley, Metro Radio, Saatchi, OIL EXPLORATION & PROD (2) Aran, Scott Pickford, OIL, INTEGRATED (1) Norsk Hydro, PRTNG, PAPER & PACKG (1) Shelton (M), RETAILERS, FOOD (3) Greggs, Low (W), Morrison (W) 5¼pc. Prf., RETAILERS, GENERAL (3) French Connection, Vendome Luxury, World of Leather, SUPPORT SERVS (3) Admiral, Real Time Control, Serco, AMERICANS (1) CANADIANS (1)
NEW LOWS (54).
BUILDING & CNSTRN (3) Baris, Eve, Wilson Bowden, BLDG MATLS & MCHTS (2) Explaura, Titon, DISTRIBUTORS (4) Bridgend, Hamlet, Lex Service, Middlesex, ENGINEERING (2) Carclo, Richards, EXTRACTIVE INDS (2) Precious Metals Aust., Walhalla, FOOD MANUF (2) Canadian Pizza, Grand Central, HEALTH CARE (2) Celsis Intl., Nestor-BNA, HOUSEHOLD GOODS (4) Fine Decor, Jayes, Mayborn, Wyefield, INSURANCE (1) LEISURE & HOTELS (2) City Centre Restaurants, Prism, MEDIA (3) Chime Comms., Quarto, Starling, MERCHANT BANKS (1) Wintrust, OIL EXPLORATION & PROD (1) Sunrise, OTHER FINANCIAL (1) London Forfaiting, OTHER SERVS & BUSNS (1) Platignum, PHARMACEUTICALS (2) Chiroscience, Huntingdon Intl., PRTNG, PAPER & PACKG (5) Brit. Thornton, Elewick, Flyau, Sidlaw, Wace 8pc Prf., PROPERTY (4) Bilton, Ex-Lands 7½pc Cnv. 2020, Peel, Specialty Shops, RETAILERS, FOOD (2) Brake Bros., Farepak, RETAILERS, GENERAL (2) Beattie (J) A, Wyevale Garden Centres, SUPPORT SERVS (3) Novo, Penna, Quality Software, TEXTILES & APPAREL (1) Haggas (J), AMERICANS (4)

EQUITY FUTURES AND OPTIONS TRADING

Stock index futures traded in a tight 15-point range in an otherwise dull and uneventful session which saw most of the leading institutions shy away from trading, *writes Joel Kibazo.*

The Liffe September contract on the FT-SE 100 opened at 3,178 and was quickly sold lower as European bond markets weakened, leaving the contract to fall to the day's low of 3,173.

The release of the July producer price data, in line with market forecasts, helped steady the contract leaving it to trade sideways over the next few hours with little actual business carried out. Summer holidays were blamed for the slow activity in the market though others simply put it down to a lack of a strong feature to help dealing along.

Some strength was seen in September in the last hour of trading as dealers paid attention to the firm opening on Wall Street and it climbed to a peak of 3,188.

The contract finished at 3,185, down 4 on the day and at a 16-point premium to the underlying cash market. Volume at 5,932 was very poor.

Traded options were also quiet and a mere 27,207 lots were dealt, against Friday's 28,400. Some 8,643 were traded in the FT-SE 100 option and 2,377 in the Euro FT-SE. SmithKline Beecham was the busiest stock option with a total of 2,431 contracts.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open Int.
Sep	3178.0	3185.0	+2.0	3189.0	3173.0	5932	56643
Dec	3193.5	3198.5	+2.5	3193.5	3193.5	55	4015

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open Int.
Sep	3735.0	3735.0	+10.0	3735.0	3735.0	30	4491

■ FT-SE MID 250 INDEX FUTURES (OMLX) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open Int.
Sep		3735.0					636

All open interest figures are for previous day. † Exact volume shown.

■ FT-SE 100 INDEX OPTION (LIFFE) (*3436) £10 per full index point

	3000 C	3000 P	3050 C	3050 P	3100 C	3100 P	3150 C	3150 P	3200 C	3200 P	3250 C	3250 P	3300 C	3300 P	3350 C	3350 P
Aug	180½	2½	133½	4½	87	9½	48	23	22	47½	9	82½	2½	131	½	181
Sep	199½	16½	157½	24	120½	36½	87	53½	58	75	38	104½	22½	141	12	183
Oct	211½	31	174½	44	138½	57½	110	78	82½	100½	62	130	44	162½	31	200
Nov	223	44	196½	57	161½	72½	132½	93½	104	115	83	144½	62	174½	47	210½
Dec†	248	55			181	85			123	128½			80½	185		

Calls 5,046 Puts 3,636

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ EURO STYLE FT-SE MID 250 INDEX OPTION (OMLX) £10 per full index point

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FT-SE Actuaries Share Indices — The UK Series

	Aug 8	Day's chge%	Aug 5	Aug 4	Aug 3	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3171.9	+0.1	[illegible]	[illegible]	[illegible]	2986.4	3.95	6.88	17.72	83.18	1192.80
FT-SE Mid 250	3728.7	+0.4	[illegible]	[illegible]	[illegible]	3399.4	3.31	5.56	21.66	83.11	1382.32
FT-SE Mid 250 ex Inv Trusts	[illegible]	+0.4	[illegible]	[illegible]	[illegible]	3413.2	3.45	6.01	20.17	86.35	1380.73
FT-SE-A 350	1601.1	+0.2	[illegible]	[illegible]	[illegible]	1496.6	3.80	6.40	18.50	40.54	1231.87
FT-SE SmallCap	[illegible]	+0.2	[illegible]	[illegible]	[illegible]	1688.79	3.02	4.14	31.84	34.47	1441.53
FT-SE SmallCap ex Inv Trusts	[illegible]	+0.2	[illegible]	[illegible]	[illegible]	1676.56	3.20	4.57	29.26	35.43	1419.93
FT-SE-A ALL-SHARE	1587.71	+0.2	[illegible]	[illegible]	[illegible]	1480.86	3.75	6.24	19.07	39.45	1242.51

■ FT-SE Actuaries All-Share

	Aug 8	Day's chge%	Aug 5	Aug 4	Aug 3	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(18)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2264.20	3.31	4.27	29.46	54.71	1092.90
12 Extractive Industries(4)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3174.30	3.18	5.02	24.94	54.24	1094.51
15 Oil, Integrated(3)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2205.40	3.44	4.41	28.21	59.99	1090.12
16 Oil Exploration & Prod(11)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1817.20	2.38	1.20	80.00†	20.34	1166.27
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ Hourly movements

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ FT-SE Actuaries 350 Industry baskets

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TRADING VOLUME

■ **Major Stocks Yesterday**

	Vol. 000s	Closing price	Day's change
ASDA Group†	9,000	81	-¼
Abbey National†	2,800	400	+2
Albert Fisher	117	50	
Allied-Lyons†	1,500	597	+4
Anglian Water	644	544	-8½
Argos	298	371	+8
Argyll Group†	2,500	281	+5
Arjo Wiggins†	753	292	-1
Assoc. Brit. Foods†	397	595	-5
Assoc. Brit. Ports	810	275	-1
BAA†	1,800	492	+8
BAT Inds.†	4,700	427	-11½
BET	2,300	120½	-½
BICC	215	415	
BOC†	343	758	+2
BP†	13,000	405½	-1
BPB Inds.	510	348	+1
BT†	9,900	394	+4½
BT (P/Paid)	10,000	264½	+4
BTR†	3,400	387	-2
Bank of Scotland†	3,800	186	+½
Barclays†	2,700	564	+5
Bass†	1,500	576	+3
Blue Circle†	1,700	318	-1
Booker	392	418	+2
Boots†	5,700	545	+3
Bowater†	158	470	
Brit. Aerospace†	646	518	+3
British Airways†	9,200	417	-12
British Gas†	11,000	282	+2½
British Land	33	423	
British Steel†	7,900	183½	+6
Bunzl	631	158	
Burmah Castrol†	585	878	+1
Burton	288	89¼	-¼
Cable & Wire†	4,200	442	
Cadbury Schweppes†	2,100	467	+3
Calor Group	73	290	-1
Caradon†	590	307	+1
Carlton Comms.†	861	910	+13
Coats Viyella†	957	221	-1
Comm. Union†	208	552	+2
Cookson	1,100	250	+2
Courtaulds†	303	549	+8
Dalgety	437	442	+3
De La Rue†	129	958	
Delons	1,000	204	
Eastern Elect.	1,700	897	+5
East Midland Elect.	234	689	+2
Eng China Clays	456	380	-6
Enterprise Oil†	607	435	-8
Eurotunnel Units	145	318	-6
FKI	81	159	-1
Fisons	261	149	+1
Foreign & Col. I.T.	1,500	142¼	+¼
Forte†	1,400	235	-1
[illegible]	[illegible]	[illegible]	[illegible]

LONDON EQUITIES

LIFFE EQUITY OPTIONS

Option		Calls Oct	Calls Jan	Calls Apr	Puts Oct	Puts Jan	Puts Apr
Allied-Lyons	589	33½	-	-	18	-	-
(*597)	638	13	-	-	46½	-	-
Argyll	280	17½	25½	31½	15	21½	25½
(*281)	300	9	14	23	27½	33	37
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls Aug	Calls Nov	Calls Feb	Puts Aug	Puts Nov	Puts Feb
Hanson	260	3	13	18	2½	13	17
(*260)	280	1	8	10	21	26½	30
Lasmo	154	3	14½	-	2	10	-
(*156)	160	1	7	10	28	26½	32
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FT GOLD MINES INDEX

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	56	2	12
Other Fixed Interest	0	1	14
Mineral Extraction	37	66	97
General Manufacturers	170	88	388
Consumer Goods	52	24	111
Services	105	75	326
Utilities	18	18	9
Financials	90	86	192
Investment Trusts	130	18	319
Others	26	59	46
Totals	684	437	1514

Data based on those companies listed on the London Share Service.

TRADITIONAL OPTIONS

First Dealings	25 July	Expiry	27 October
Last Dealings	5 August	Settlement	10 November

Calls: Alliance Res., Alvis, Emess, Hazlewood, Goldsmiths, Premier Cons., Ransomes, Royal Ins., Tullow Oil, Waverley Mining Puts: Royal Ins., Tullow Oil, Waverley Mining Put & Call: Aran Energy

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1994 High	1994 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
-	F.P.	21.7	89	83	Baillie G Shn Wrts	88		-	-	-	-
100	F.P.	19.4	102	100	Beacon Inv Tst	102		-	-	-	-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1994 High	1994 Low	Stock	Closing price p	+or-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FINANCIAL TIMES EQUITY INDICES

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON SHARE SERVICE

BANKS

	Notes	Price	+ or -	1994 High	1994 low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl		£22⅞	+½	£25⅛	£20[illegible]	6,[illegible]	4.9	ϕ
ANZ A$		197½	-¼	278¼	179¾	2,630	4.9	29.4
Abbey National	†N□	400	+2	523	381	5,248	4.9	11.3
Allied Irish I£	♣†N□	280	-2	314	234	1,713	4.9	9.8
Anglo Irish I£	N□	57	-1	*70	50	198.2	7.5	10.4
Asahi Y		780¼	-13½	819¼	628	18,117	0.6	ϕ
Banco Bil Viz Pta		£15⅞	—	£19[illegible]	£14½	3,670	5.3	7.0
Banco Sant Pta		£28⅝	+⅛	*£30½	£23¼	4,326	5.0	10.0
Bk Ireland I£	♣□	279	-1	*319	246	1,378	4.7	8.1
Bank Scotland	♣N□	188	+½	247	172½	2,170	3.4	15.2
9¼pc Pf		115	+¼	141½	114	115.8	10.1	-
9¾pc Pf		120¼	+½	149½	119¼	120.2	10.1	-
Barclays	♣N□	584	+5	640	487	9,776	3.4	23.4
Dai Ichi Kan Y		£12¼	—	£12[illegible]	£10⅞	37,898	0.4	-
Deutsche DM		£301[illegible]	-1[illegible]	£344¼	£270[illegible]	14,398	2.2	-
Espirito Santo		£9¾	+[illegible]	*£13[illegible]	£9[illegible]	211.5	9.9	4.9
First Nat Fin	N□	80xd	—	*90	60	111.4	2.9	-
6.3pc Cv Pf		77	-1	*90	77	5.16	10.2	-
7pc Cv Pf		125½	-1	171	123	59.8	7.0	-
Fuji Bank Y		1491	+6	1549¼	1152½	43,192	0.4	ϕ
HSBC HK	N□	805	-3	1133	680	14,097	3.8	11.7
HSBC (75p Shs)	N□	789	-4	1113	680	6,706	3.7	11.4
Lloyds	†N□	551xd	+7½	660	519	7,129	5.2	10.8
Mitsubishi Y		£18[illegible]	-[illegible]	£18[illegible]	£15⅝	48,665	0.3	ϕ
Mits Tst & Bk Y		1011	-9	1162¼	687½	12,116	0.5	15.9
Mitsui Tst & Bk Y		787	+6	879	514	8,430	0.7	26.3
Nat Aust A$	†	528¼	-¼	620¼	469¾	7,046	5.4	10.9
NatWest	†N□	469xd	-2¼	622	421	7,787	5.2	10.7
Ottomane FFr		£23½	—	£33	£23½	117.6	6.2	ϕ

[illegible]

BREWERIES

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

CHEMICALS

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ELECTRONIC & ELECTRICAL EQPT - Cont.

[illegible]

ENGINEERING

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

FOOD MANUFACTURERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HEALTH CARE - Cont.

[illegible]

HOUSEHOLD GOODS

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

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LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

	Notes	Price	+ or -	1994 high	low	Yld Gr's	NAV	Dis or Pm(-)
Pilot Inv	N□	136	+1	163	125½	1.4	133.8	-1.8
Warrants	□	56	—	69	44	–	–	–
Piper Euro Smlr	□	93	+1	98	91	–	94.8	-1.8
Warrants	□	36	+1	38	33	–	–	–
Primadona		290	+2	291	261	1.9	317.3	8.6
Ptarmigan Int	N□	237	+5	*276	206	1.8	248.3	4.6
Warrants		89	—	140	78	–	–	–
RIT Capital	N□	181	—	189	164½	1.8	222.5	18.7
2½pc Cv Ln 2000		£180½	—	£180½	£170½	1.4	–	–
Radiotrust	□	80	—	88	70	–	74.3	-7.1
Rights & Iss Inc	KN	153xd	—	164	153	7.2	–	–
Cap	N	506	—	535	440	2.2	532.6	5.2
Riv & Merc Am Inc	N	107	—	121	108	9.1	–	–
Cap	□	32½	—	38	30	–	42.4	23.3
Warrants		14	—	17	13	–	–	–
Riv & Mer Ext	N□	127xd	—	147	113	7.7	116.1	-8.6
Warrants		30	—	49	28	–	–	–
Zero Div Pf		110½	—	118½	110	–	–	–
Riv & Mer Geared	N	100	—	118	90	8.4	–	–
Prfd Cap 1999		28½	—	35	23	–	35.8	24.9
Riv & Merc Smlr	N□	131	—	178	118	3.8	139.7	6.2
Warrants		45	—	77	32	–	–	–
Riv & Merc Tst Inc	N□	118	—	127	114	10.1	–	–
Cap	□	136	—	180	118	–	196.2	28.7
Warrants		32	—	40	30	–	–	–
Do. Stpd Prf	N	161½	—	163	149½	4.9	–	–
River Plate Inc	N□	109	—	113	106	10.2	–	–
Cap	□	91	—	118	80	–	144.5	37.0
Warrants		4	—	11	4	–	–	–
Zero Div Pf		86	—	88	83¾	–	–	–
St Andrew	KN	317	—	343	290	3.1	329.2	1.9

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service

INVESTMENT COMPANIES

[illegible]

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service

LEISURE & HOTELS

[illegible]

LEISURE & HOTELS - Cont.

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MERCHANT BANKS

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL EXPLORATION & PRODUCTION - Cont.

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

OTHER SERVICES & BUSINESSES

[illegible]

PHARMACEUTICALS

[illegible]

PRINTING, PAPER & PACKAGING

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

SPIRITS, WINES & CIDERS

[illegible]

SUPPORT SERVICES

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

TRANSPORT - Cont.

[illegible]

WATER

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

	Notes	Price	+ or -	1994 high	low	Mkt Cap£m	Yld Gr's
Toronto-Dom		9¹³⁄₁₆	+⅛	11⅝	9⅝	2,952	3.8
Trans Can Pipe	♥	8⅝	+⅛	10½	7⅞	1,487	4.9

SOUTH AFRICANS

	Notes	Price	+ or -	1994 high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£27	—	£27½	£13½	1,780	2.7	19.7
Barlow	Z	£4¹¹⁄₁₆	—	£5⁵⁄₁₆	£3¹¹⁄₁₆	933.8	0.7	–
Gold Flds Prop R		112	—	113	76	11.5	8.3	ϕ
NK Props	s	85	—	95	85	3.42	10.5	34.9
SASOL	♥	394	—	403	280	2,239	3.6	–
SA Brews		£12⅝	—	£15⅞	£10	3,361	2.3	19.8
Tiger Oats	†	813	—	838	538	921.8	2.6	12.9
Tongaat-Hulett		661	—	*739¾	427½	517.2	2.3	19.0

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ϕ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
p Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment.
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on IIMR 'Headline Earnings'
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xR ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Please quote the code FT8846. Ring 081-770 0770 (open 24 hours including weekends) or Fax 081-770 3822. If calling from outside the UK, ring +44 81 770 0770 or fax +44 81 770 3822. Reports will be sent the next working day, subject to availability.

FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.

An international service is available for callers outside the UK, annual subscription £250 stg. Call 071-873 4378 (+44 71 873 4378, International) for more information on FT Cityline.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

AUTHORISED UNIT TRUSTS

[illegible]

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

متداول الاصل

هكذا من الاصل

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Thornton Unit Managers Ltd - Contd.

[illegible]

OTHER UK UNIT TRUSTS

[illegible]

INSURANCES

[illegible]

Abbey National Life Plc

[illegible]

Clerical Medical/Fidelity Investments

[illegible]

Friends Provident - Contd.

[illegible]

Lancashire & Yorkshire Assce Society

[illegible]

MGM Assurance (z)

[illegible]

Norwich Union Life Insurance Soc. - Contd.

[illegible]

Prudential Individual Pension Funds

[illegible]

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

	Bid Price	Offer Price	+ or -	Yield Gross
Scottish Mutual Assurance plc - Contd.				
North American Fund	230.6	242.2	-0.20	-
International Fund	291.5	306.8	-0.10	-
Gilts & Fxd Int Fund	182.9	203.1	+1.5	-
Index-Linked Fund	174.3	183.6	+1.00	-
Property Fund	132.3	139.3	-	-
Cash Fund	172.9	182.0	+0.10	-
Pens Safety Fnd	275.6	290.2	+1.40	-
Pens Growth Fnd	248.6	261.7	-0.40	-
Pens Opportunity Fnd	248.6	263.1	+0.30	-
Pens W'wide Venture Fnd	199.0	209.4	+0.20	-
Pens UK Equity Fnd	243.8	256.7	+0.30	-
Pens UK Smlr Co's Fnd	204.4	215.3	+0.30	-
Pens European Fnd	331.7	349.2	+1.10	-
Pens Far East Fnd	432.6	455.4	-0.50	-
Pens Japanese Fnd	147.6	155.4	-0.40	-
Pens Nth American Fnd	291.5	306.8	-0.90	-
Pens International Fnd	303.8	319.8	-0.80	-
Pens Gilts/Fxd Int Fnd	231.3	243.4	+1.80	-
Pens Index-linked Fnd	180.3	189.7	+1.00	-
Pens Property Fnd	147.4	155.2	+0.10	-
Pens Cash Fund	214.7	226.1	+0.10	-
Pens Halifax Fnd	230.6	242.8	+0.10	-

Scottish Provident Group
8 St Andrew Sq, Edinburgh 031-558 2882
Scottish Provident Institution Funds
Life Funds

	Bid Price	Offer Price	+ or -	Yield Gross
With-Profits	112.8	118.8	+0.1	-
Managed	268.1	282.3	-	-
Blue Chip	144.2	151.8	+1.0	-
Equity	275.6	290.6	+0.6	-
International	294.4	310.0	-	-
Property	234.1	246.5	+0.1	-
Fixed Interest	209.3	220.6	+0.4	-
Index-linked	172.2	181.4	+0.9	-
Cash	185.2	195.1	+0.1	-
Money Market	121.9	128.6	+0.1	-
American Performance	161.6	170.2	-1.2	-
Europe Performance	133.4	140.5	-0.7	-
Far East Performance	138.9	146.3	-0.7	-
Worldwide Performance	152.8	160.9	-0.7	-
Pension Funds				
With-Profits Ord	213.6	224.9	+0.2	-
Managed Ord	335.6	353.5	+0.1	-
Blue Chip Ord	162.5	180.8	+1.3	-
Equity Ord	354.8	373.3	+1.2	-
International Ord	368.0	387.6	-0.8	-
Property Ord	359.9	378.8	-0.1	-
Fixed Interest Ord	294.1	309.7	+0.7	-
Index-linked Ord	190.0	200.1	+1.0	-
Cash Ord	259.9	273.7	+0.1	-
Building Society Ord	197.0	207.4	-	-
American Performance Ord	188.8	198.8	-1.3	-

	Bid Price	Offer Price	+ or -	Yield Gross
Sun Alliance Group - Contd.				
Property Growth Pension Funds				
Managed (Acc)	1187.1		+1.2	-
Managed (Cap)	830.7		+0.4	-
Building Society (Acc)	657.4		+0.2	-
Building Society (Cap)	464.0		+0.1	-
Conv Bldng Soc (Acc)	902.1		-0.1	-
Conv Bldng Soc (Cap)	461.2		-	-
Equity (Acc)	977.2		+3.8	-
Equity (Cap)	583.7		+2.3	-
Gilt Edged (Acc)	456.0		+2.6	-
Gilt Edged (Cap)	379.7		+1.6	-
International (Acc)	357.0		+1.2	-
International (Cap)	232.4		-0.8	-
Property (Acc)	739.4		+0.1	-
Property (Cap)	378.0		-	-
Pension Fund Units	609.8		+0.1	-
Immediate Annuity	323.0		-	-
Retirement Annuity	1298.6		-	-

Sun Life Unit Assurance Ltd
St James Barton, Bristol BS99 7SL 0272 426911

	Bid Price	Offer Price	+ or -	Yield Gross
Managed Acc.	912.6	961.0	+2.2	-
Property Acc.	341.9	359.9	+1.2	-
Equity Acc.	1499.9	1632.6	+4.5	-
Fixed Interest Acc.	381.9	402.1	+4.2	-
Cash Acc.	306.3	322.5	+0.1	-
International Acc.	618.1	650.7	-3.1	-
Distribution	278.9	293.6	+0.9	5.66
American Equity Acc.	346.2	364.5	-1.4	-
Far Eastern Acc.	602.6	660.1	+2.4	-
Index-Linked Acc.	192.0	202.2	+1.8	-
Japan Acc.	328.0	345.3	-1.3	-
Pacific Acc.	384.2	404.5	+1.3	-
European	205.7	216.6	-0.4	-
Anniversary Bond	162.3		+0.7	-
Debt Distribution	163.4	172.0	+0.7	-

Sun Life Pensions Management Ltd
(funds for individual pension contracts)

	Bid Price	Offer Price	+ or -	Yield Gross
Pens. Managed Acc.	1188.4	1248.9	+2.8	-
Pens. Property Acc.	343.0	361.1	+0.1	-
Pens. Equity Acc.	1850.4	1947.8	+5.6	-
Pens. F. Interest Acc.	474.1	499.1	+3.4	-
Pens. Cash Acc.	414.8	436.7	+0.1	-
Pens. Internat. Acc.	727.6	765.8	-3.6	-
Pens. Amer. Equity Acc.	344.2	362.4	-1.5	-
Pens. Far Eastern Acc.	1529.4	1609.9	+6.7	-
Pens. Ind. Lnkd. Acc.	218.0	229.5	+1.8	-
Pens. Japan Acc.	380.8	400.9	-1.4	-
Pens. Pacific Acc.	551.1	580.2	+3.3	-
Pens. Euro. Acc.	251.7	265.0	-0.8	-
Pens. Bldg Soc.	177.4	186.8	+0.1	-
Pens. Retirement Dist.	146.3	154.0	+0.6	-

Swiss Life (UK) PLC
101 London Rd, Sevenoaks 0732 450161

[illegible]

OFFSHORE INSURANCES

[illegible]

MANAGEMENT SERVICES

[illegible]

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

GUERNSEY (REGULATED)(**)

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

IRELAND (REGULATED)(**)

[illegible]

ISLE OF MAN (SIB RECOGNISED)

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

JERSEY (REGULATED)(**)

[illegible]

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FT MANAGED FUNDS SERVICE

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LUXEMBOURG (SIB RECOGNISED)

ABN AMRO Funds

[illegible]

HSBC Investment Funds Luxembourg SA (u)

[illegible]

LUXEMBOURG (REGULATED)(**)

Aetos International Umbrella Fund (x)

[illegible]

Alliance Capital

[illegible]

Israel Selection Fund

[illegible]

Lloyds Bank Luxembourg (u)

[illegible]

Merrill Lynch Asset Management

[illegible]

OTHER OFFSHORE FUNDS

[illegible]

Jardine Fleming Unit Trusts Ltd - Contd.

[illegible]

Putnam Embassy Funds Ltd

[illegible]

MANAGED FUNDS NOTES

[illegible]

JERSEY

[illegible]

CURRENCIES AND MONEY

MARKETS REPORT

Dollar firms against yen

The dollar yesterday reached a six week high against the yen, helped by sales of the Japanese currency against the D-Mark, *writes Philip Gawith.*

Market conditions, however, were fairly quiet, and in the absence of any compelling fundamental factors to explain the dollar's relative strength, analysts were disinclined to attribute any significance to the move.

The dollar finished in London at Y101.345 from Y100.48 on Friday. Against the D-Mark it closed at DM1.5811 from DM1.5822.

Traders reported that much of the yen selling was seen against the D-Mark. It closed at Y64.11 against the Japanese currency from Y63.49 on Friday.

Helped by this strength against the yen, the D-Mark was generally stronger in Europe. It finished at FFr3.424 against the French franc from FFr3.422.

The lira was fairly stable at L997.9 from L997.5, with the parliamentary recess having taken the spotlight off the fragile state of Italian politics.

One currency to hold up fairly well against the D-Mark was sterling, which finished at DM2.438 from DM2.4389 on Friday. It was also little changed against the dollar, at $1.542 from $1.5415.

■ Analysts were slightly mystified by the firmer dollar which seems as much to reflect a desire to sell the yen as to buy the US currency. Indeed, trade in mark/yen was reported to have been at similar levels to that in dollar/yen. This suggests that the market was happy to sell yen, but preferred buying the D-Mark rather than dollars.

The dollar has recovered from a post-war low of Y96.55 against the yen,and a 20-month low against the D-Mark of DM1.5165, on July 12.

Mr Steve Barrow, international economist at Chemical Bank in London, said Y64 against the D-Mark was a significant technical level and breach of it had probably prompted some short covering by those who held long yen positions.

Other factors supporting the dollar were the respite in US/Japan trade tensions, albeit temporary, and less foreign interest in the Nikkei share index.

Figures from IDEA, the financial markets consultancy, show that foreigners were, during July, net sellers of the Nikkei index for the first time in 13 months. Previously foreign purchases of the Nikkei had been a key reason for yen strength, but in July foreigners sold $2.17bn of Nikkei holdings.

The dollar has recently tracked the performance of US bonds closely. For this reason, some analysts who are pessimistic about the short-term outlook for bonds hold a similar view about the dollar.

This view holds that it will be difficult for bonds to stage much of a recovery this week given the release of CPI and PPI figures and a $40bn quarterly Treasury refunding exercise.

Following last week's strong employment report, sentiment has also shifted in favour of the Fed tightening policy, possibly at the August 16 FOMC meeting. Higher interest rates are normally associated with weaker bond markets.

While US interest rate markets have been under pressure, the same, if not more so, can be said of Japan. Mr Tony Norfield, UK treasury economist at ABN-AMRO in London, noted that over the past week the December Euroyen contract had fallen by about 25 basis points to 97.35 from close to 97.6.

This weakness in Japanese interest rate markets may account for some of the recent trend of Japanese funds to shift out of yen assets. One symptom of this trend will be the extent to which the Japanese participate in the quarterly refunding.

Mr Brian Durrant, economist at brokers GNI commented: "If Japanese institutions are on the threshold of recycling Japan's current account surplus, then $/Yen could take off."

■ UK money markets seemed to have shaken off their recent concerns about higher UK rates. Three month sterling LIBOR remained unchanged at 5⅝ per cent while sentiment in the futures market was more positive.

Volumes were light, but the December short sterling contract finished six basis points higher at 93.40 from 93.34.

The market was helped by subdued producer inflation data, with output prices unchanged in July, and input prices increasing at an annual 2.6 per cent.

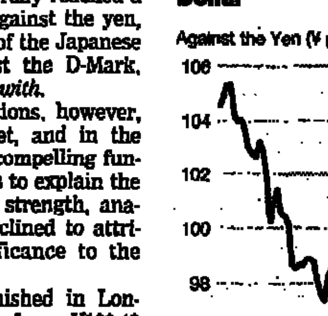
Net consumer lending, however, hit a record level in June. Analysts said this seemingly benign combination of firm economic growth, without inflation problems, was making UK assets more attractive and could explain why sterling had been stronger recently.

In its daily operations, the Bank of England provided £1.024bn assistance to the UK money markets after forecasting a £1bn shortage. Overnight money traded between 2 per cent and 4¾ per cent.

In Germany call money rates started the week firmer at 5/5.10 per cent from 4.85/4.95 per cent on Friday. Rates are not expected to drop much before the weekly repo allocation tomorrow. The repo rate is currently fixed at 4.85 per cent.

Dollar

Against the Yen (¥ per $)



Source: FT Graphite

■ Pound in New York

Aug 8	—Latest—	– Prev. close –
£ spot	1.5410	1.5415
1 mth	1.5402	1.5406
3 mth	1.5334	1.5388
1 yr	1.5291	1.5295

■ OTHER CURRENCIES

Aug 8	£	$
Hungary	166.605 - 166.867	108.080 - 108.180
Iran	2686.00 - 2689.00	1748.00 - 1750.00
Kuwait	0.4594 - 0.4604	0.2980 - 0.2985
Poland	35130.7 - 35192.1	22790.0 - 22815.0
Russia	3207.36 - 3211.98	2080.00 - 2083.00
UAE	5.6591 - 5.6706	3.6715 - 3.6735

POUND SPOT FORWARD AGAINST THE POUND

Aug 8		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	17.1684	-0.0101	600 - 788	17.1942	17.1406	17.1651	0.3	17.1532	0.4	-	-	114.9
Belgium	(BFr)	50.2076	+0.018	604 - 547	50.3220	50.1270	50.2076	0.0	50.2326	-0.2	49.8826	0.6	116.4
Denmark	(DKr)	9.5920	+0.0028	850 - 990	9.6119	9.5682	9.5966	-0.6	9.6061	-0.6	9.659	-0.7	116.6
Finland	(FM)	8.0039	-0.0203	927 - 151	8.0780	7.9980	-	-	-	-	-	-	82.8
France	(FFr)	8.3473	+0.0025	426 - 519	8.3626	8.3153	8.3484	-0.3	8.3476	0.0	8.2941	0.6	109.7
Germany	(DM)	2.4360	-0.0008	368 - 393	2.4441	2.4330	2.4364	-0.2	2.4349	0.5	2.4054	1.3	125.7
Greece	(Dr)	368.536	+0.285	341 - 735	369.126	367.941	-	-	-	-	-	-	-
Ireland	(I£)	1.0107	-0.001	099 - 115	1.0115	1.0082	1.0108	-0.1	1.0109	-0.1	1.0113	-0.1	105.0
Italy	(L)	2433.12	+0.33	156 - 468	2437.04	2427.73	2439.92	-3.4	2451.87	-3.0	2497.12	-2.6	76.1
Luxembourg	(LFr)	50.2076	+0.018	604 - 547	50.3220	50.1270	50.2076	0.0	50.2326	-0.2	49.8826	0.6	116.4
Netherlands	(Fl)	2.7383	-0.0011	366 - 399	2.7451	2.7340	2.7377	0.3	2.7346	0.5	2.7034	1.3	120.2
Norway	(NKr)	10.6512	-0.0041	462 - 562	10.6821	10.6326	10.6482	0.3	10.6667	-0.3	10.6447	0.1	96.3
Portugal	(Es)	247.877	+0.185	719 - 034	248.358	247.599	249.607	-8.4	252.787	-7.9	-	-	-
Spain	(Pta)	200.491	+0.102	349 - 633	200.829	200.123	201.001	-3.1	201.681	-2.4	203.576	-1.5	86.4
Sweden	(SKr)	11.9253	-0.0088	156 - 349	11.9572	11.9081	11.9468	-2.2	11.9973	-2.4	12.2178	-2.5	74.2
Switzerland	(SFr)	2.0560	-0.0014	548 - 572	2.0609	2.0536	2.0544	0.9	2.0499	1.2	2.016	1.9	120.6
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	79.5
Ecu	-	1.2751	-	744 - 757	1.2782	1.2726	1.2759	-0.8	1.2765	-0.4	1.2775	-0.2	-
SDR†	-	0.940254	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5396	+0.0005	390 - 402	1.5447	1.5360	-	-	-	-	-	-	-
Brazil	(R)	1.3924	-0.0127	904 - 944	1.4078	1.3904	-	-	-	-	-	-	-
Canada	(C$)	2.1288	-0.0098	277 - 299	2.1393	2.1239	2.1294	-0.3	2.1298	-0.2	2.1386	-0.5	86.2
Mexico	(New Peso)	5.2236	+0.0195	195 - 275	5.2377	5.2160	-	-	-	-	-	-	-
USA	($)	1.5420	+0.0005	415 - 425	1.5470	1.5382	1.5411	0.7	1.5392	0.7	1.5294	0.8	63.6
Pacific/Middle East/Africa													
Australia	(A$)	2.0823	+0.003	808 - 836	2.0838	2.0739	2.0822	0.0	2.0836	-0.2	2.1018	-0.9	-
Hong Kong	(HK$)	11.9128	+0.0035	082 - 175	11.9506	11.8844	11.909	0.4	11.9079	0.2	11.915	0.0	-
India	(Rs)	48.3687	+0.0134	491 - 882	48.5260	48.2530	-	-	-	-	-	-	-
Japan	(Y)	156.274	+1.381	169 - 379	156.390	154.550	155.874	3.1	155.029	3.2	150.354	3.8	186.7
Malaysia	(M$)	3.9815	+0.013	794 - 835	3.9966	3.9676	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.5507	-0.0003	488 - 525	2.5583	2.5448	2.5546	-1.8	2.5624	-1.8	2.5847	-1.3	-
Philippines	(Peso)	40.7089	+0.0145	873 - 305	41.0305	40.3873	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.7830	+0.0018	809 - 851	5.8017	5.7690	-	-	-	-	-	-	-
Singapore	(S$)	2.3207	-0.0019	192 - 222	2.3296	2.3174	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.5701	-0.0119	671 - 731	5.5936	5.5510	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	7.0547	+0.0411	369 - 724	7.0724	7.0229	-	-	-	-	-	-	-
South Korea	(Won)	1239.77	+2.44	921 - 032	1243.69	1236.87	-	-	-	-	-	-	-
Taiwan	(T$)	40.8349	-0.0251	197 - 500	40.9653	40.7362	-	-	-	-	-	-	-
Thailand	(Bt)	38.6349	+0.0447	146 - 551	38.7210	38.5420	-	-	-	-	-	-	-

†SDR rate for Aug 5. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100.Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Aug 8		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P Morgan Index
Europe													
Austria	(Sch)	11.1345	-0.0105	320 - 370	11.1575	11.1000	11.1347	0.0	11.1345	0.0	11.0495	0.8	104.1
Belgium	(BFr)	32.5600	-	400 - 800	32.6300	32.4700	32.5775	-0.6	32.605	-0.6	32.66	-0.3	105.6
Denmark	(DKr)	6.2205	-0.0004	180 - 230	6.2356	6.1994	6.2275	-1.4	6.2405	-1.3	6.2755	-0.9	104.9
Finland	(FM)	5.1906	-0.015	850 - 962	5.2138	5.1850	5.1946	-0.9	5.2026	-0.9	5.2506	-1.2	77.2
France	(FFr)	5.4133	-0.0003	120 - 145	5.4295	5.3824	5.4179	-1.0	5.4236	-0.8	5.396	0.3	105.9
Germany	(D)	1.5811	-0.0011	807 - 814	1.5860	1.5765	1.5818	-0.5	1.5822	-0.3	1.5749	0.4	106.5
Greece	(Dr)	239.000	+0.1	950 - 050	239.250	238.330	239.39	-2.0	240.175	-2.0	243.5	-1.9	69.3
Ireland	(I£)	1.5257	+0.002	249 - 264	1.5315	1.5219	1.5243	1.1	1.5221	0.9	1.5109	1.0	-
Italy	(L)	1577.90	-0.35	740 - 840	1582.00	1571.75	1583.25	-4.1	1593.05	-3.8	1636.1	-3.6	76.5
Luxembourg	(LFr)	32.5600	-	400 - 800	32.6300	32.4700	32.5775	-0.6	32.605	-0.6	32.66	-0.3	106.6
Netherlands	(Fl)	1.7758	-0.0014	753 - 763	1.7812	1.7709	1.7764	-0.4	1.7748	0.2	1.7701	0.3	105.1
Norway	(NKr)	6.9074	-0.0051	064 - 084	6.9300	6.8850	6.9104	-0.5	6.9164	-0.5	6.8799	0.4	96.3
Portugal	(Es)	160.750	+0.05	700 - 800	161.220	160.250	161.836	-8.1	163.575	-7.0	170	-5.8	95.2
Spain	(Pta)	130.020	+0.02	970 - 070	130.460	129.580	130.38	-3.3	131.05	-3.2	133.3	-2.5	81.3
Sweden	(SKr)	7.7337	-0.0083	299 - 374	7.7500	7.7143	7.7517	-2.8	7.7652	-2.7	7.9387	-2.7	79.3
Switzerland	(SFr)	1.3334	-0.0013	330 - 337	1.3380	1.3306	1.3331	0.2	1.332	0.4	1.3199	1.0	106.0
UK	(£)	1.5420	+0.0005	415 - 425	1.5470	1.5382	1.5411	0.7	1.5392	0.7	1.5294	0.8	87.9
Ecu	-	1.2094	+0.0004	091 - 096	1.2118	1.2060	1.2079	1.4	1.2058	1.2	1.2187	-0.8	-
SDR†	-	1.44470	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9985	-	984 - 985	0.9985	0.9984	-	-	-	-	-	-	-
Brazil	(R)	0.9030	-0.0085	020 - 040	0.9070	0.9020	-	-	-	-	-	-	-
Canada	(C$)	1.3806	-0.0062	803 - 808	1.3848	1.3794	1.3819	-1.1	1.3842	-1.0	1.4037	-1.7	82.2
Mexico	(New Peso)	3.3875	+0.0115	860 - 890	3.3890	3.3860	3.3885	-0.4	3.3903	-0.3	3.3977	-0.3	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	97.7
Pacific/Middle East/Africa													
Australia	(A$)	1.3504	+0.0015	499 - 508	1.3506	1.3457	1.3507	-0.2	1.3514	-0.3	1.3587	-0.6	88.0
Hong Kong	(HK$)	7.7256	-0.0005	251 - 261	7.7258	7.7255	7.7254	0.0	7.7261	0.0	7.7411	-0.2	-
India	(Rs)	31.3675	-0.0025	650 - 700	31.3700	31.3650	31.4525	-3.3	31.5975	-2.9	-	-	-
Japan	(Y)	101.345	+0.86	310 - 380	101.500	100.150	101.145	2.4	100.725	2.4	98.42	2.9	149.1
Malaysia	(M$)	2.5820	+0.0075	815 - 825	2.5848	2.5725	2.5728	4.3	2.5615	3.2	2.635	-2.1	-
New Zealand	(NZ$)	1.6541	-0.0009	534 - 548	1.6567	1.6523	1.655	-0.7	1.6569	-0.7	1.6622	-0.5	-
Philippines	(Peso)	26.4000	-	000 - 000	26.6000	26.2000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7504	-0.0001	502 - 505	3.7505	3.7502	3.7517	-0.4	3.7558	-0.6	3.7744	-0.6	-
Singapore	(S$)	1.5050	-0.0017	045 - 055	1.5067	1.5045	1.5037	1.1	1.5018	0.9	1.495	0.7	-
S Africa (Com.)	(R)	3.6123	-0.009	115 - 130	3.6205	3.6077	3.6278	-5.1	3.6561	-4.9	3.7328	-3.3	-
S Africa (Fin.)	(R)	4.5750	+0.025	650 - 850	4.5860	4.5450	4.6097	-8.9	4.6675	-9.1	-	-	-
South Korea	(Won)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-
Taiwan	(T$)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-
Thailand	(Bt)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-

†SDR rate for Aug 5. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Aug 5. Base average 1990=100

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Aug 8		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.10	16.62	4.856	2.014	4846	5.453	21.21	493.5	399.3	23.76	4.096	1.992	[illegible]	[illegible]	[illegible]	[illegible]
Denmark	(DKr)	52.35	10	8.702	2.542	1.054	2536	2.854	11.10	258.3	209.0	12.44	2.143	1.043	[illegible]	[illegible]	[illegible]	[illegible]
France, Germany, Ireland, Italy, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, UK, Canada, US, Japan, Ecu		[illegible]																

Yen per 1,000; Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM — [illegible]

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100 — [illegible]

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr — [illegible]

■ STERLING FUTURES (IMM) £62,500 per £ — [illegible]

EMS EUROPEAN CURRENCY UNIT RATES

[illegible]

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound) — [illegible]

WORLD INTEREST RATES

MONEY RATES

[illegible]

EURO CURRENCY INTEREST RATES

[illegible]

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate — [illegible]

■ THREE MONTH EURODOLLAR (LIFFE) $1m points of 100% — [illegible]

■ THREE MONTH EUROMARK FUTURES (LIFFE) DM1m points of 100% — [illegible]

■ THREE MONTH EUROLIRA INT.RATE FUTURES (LIFFE) L1000m points of 100% — [illegible]

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100% — [illegible]

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100% — [illegible]

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100% — [illegible]

■ US TREASURY BILL FUTURES (IMM) $1m per 100% — [illegible]

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100% — [illegible]

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100% — [illegible]

UK INTEREST RATES

LONDON MONEY RATES

[illegible]

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.10	94.13	+0.02	94.15	94.09	8101	97877
Dec	93.33	93.40	+0.06	93.42	93.33	15727	171368
Mar	92.78	92.82	+0.06	92.84	92.74	3449	64706
Jun	92.31	92.37	+0.08	92.37	92.28	2565	51323

Traded on APT. All Open Interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Sep	Dec	Mar	PUTS Sep	Dec	Mar
9400	0.24	0.08	0.07	0.11	0.65	1.25
9425	0.11	0.04	0.04	0.23	0.89	1.47
9450	0.03	0.02	0.02	0.40	1.12	1.70

Est. vol. total, Calls 2449 Puts 1849. Previous day's open int., Calls 307871 Puts 242735

BASE LENDING RATES

	%		%		%
Adam & Company	5.25	Duncan Lawrie	5.25	* Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	8
Allied Trust Bank	5.25	Exeter Bank Limited	6.25	Royal Bk of Scotland	5.25
AIB Bank	5.25	Financial & Gen Bank	6	●Smith & Williamson Secs.	5.25
●Henry Ansbacher	5.25	●Robert Fleming & Co	5.25	TSB	5.25
Bank of Baroda	5.25	Girobank	5.25	●United Bk of Kuwait	5.25
Banco Bilbao Vizcaya	5.25	●Guinness Mahon	5.25	Unity Trust Bank Plc	5.25
Bank of Cyprus	5.25	Habib Bank AG Zurich	5.25	Western Trust	5.25
Bank of Ireland	5.25	●Hambros Bank	5.25	Whiteaway Laidlaw	5.25
Bank of India	5.25	Heritable & Gen Inv Bk.	5.25	Yorkshire Bank	5.25
Bank of Scotland	5.25	●Hill Samuel	5.25		
Barclays Bank	5.25	C. Hoare & Co	5.25		
Brit Bk of Mid East	5.25	Hongkong & Shanghai	5.25		
●Brown Shipley & Co Ltd	5.25	Julian Hodge Bank	5.25		
CL Bank Nederland	5.25	●Leopold Joseph & Sons	5.25		
Citibank NA	5.25	Lloyds Bank	5.25		
Clydesdale Bank	5.25	Meghraj Bank Ltd	5.25		
The Co-operative Bank	5.25	Midland Bank	5.25		
Coutts & Co	5.25	* Mount Banking	6		
Credit Lyonnais	5.25	NatWestminster	5.25		
Cyprus Popular Bank	5.25	●Rea Brothers	5.25		

● Members of London Investment Banking Association

* In administration

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

متداول الأصل

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Aug 8 / Sch)

BELGIUM/LUXEMBOURG (Aug 8 / Frs.)

DENMARK (Aug 8 / Kr)

FINLAND (Aug 8 / Mkka)

FRANCE (Aug 8 / Frs.)

GERMANY (Aug 8 / Dm.)

ITALY (Aug 8 / Lire)

NETHERLANDS (Aug 8 / Fls.)

NORWAY (Aug 8 / Kroner)

SPAIN (Aug 8 / Pts)

SWEDEN (Aug 8 / Kronor)

SWITZERLAND (Aug 8 / Frs.)

PACIFIC

JAPAN (Aug 8 / Yen)

AUSTRALIA (Aug 8 / AustS)

HONG KONG (Aug 8 / H.K.$)

MALAYSIA (Aug 8 / MYR)

SINGAPORE (Aug 8 / S$)

NORTH AMERICA

CANADA

TORONTO (Aug 8 / Can $)

4 pm close

MONTREAL (Aug 8 / Can $)

4 pm close

AFRICA

SOUTH AFRICA (Aug 8 / Rand)

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1994, except Toronto & Montreal (daily). ‡ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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■ TOKYO - MOST ACTIVE STOCKS: Monday, August 8, 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Steel	13.2m	369	+6	Mitsub Gas Chem	3.0m	538	+11
NKK	11.6m	284	+5	Yamato Transport	2.2m	1290	−10
Nissan	3.7m	772	−10	NEC	2.2m	1230	+40
Showa Denko	3.4m	361	+5	Ajinomoto	2.1m	1360	+60
Sumitomo Mtl	3.1m	320	+5	UBE Inds	1.9m	405	+6

INDICES

	Aug 8	Aug 5	Aug 4	1994 High		1994 Low	
Hong Kong Hang Seng(31/7/64)	9537.87	9602.21	9642.85	12201.09	4/1	8388.44	4/5
India BSE Sens.(1979)	4297.3	4301.5	4300.9	4332.90	20/6	3454.00	5/1
Indonesia Jakarta Comp.(10/8/82)	472.41	472.80	468.73	612.80	5/1	449.72	12/7
Ireland ISEQ Overall(4/1/88)	1865.29	1871.08	1875.17	2082.16	20/1	1684.14	1/7
Italy Banca Comm Ital (1972)	695.75	703.96	707.90	817.17	10/6	668.86	10/1
MIB General (4/1/94)	1124.0	1137.0	1144.0	1318.00	10/5	944.89	10/1
Japan Nikkei 225 (16/5/49)	20635.83	20621.70	20676.84	21552.81	13/6	17369.74	4/1
Nikkei 300 (1/10/82)	300.84	299.44	300.74	311.71	13/6	268.22	4/1
Topix (4/1/68)	1658.78	1649.79	1656.52	1712.73	13/6	1445.97	4/1
2nd Section (4/1/68)	2476.61	2471.16	2453.02	2542.85	6/7	1973.23	4/1
Malaysia KLSE Comp.(4/4/86)	1078.34	1089.15	1086.80	1314.46	5/1	928.33	4/4
Turkey Istanbul Comp.(Jan 1986)	(u)	22015.9	22108.9	28683.80	13/1	12980.70	24/3
WORLD MS Capital Int (1/1/70)$	630.4*	630.9	632.7	641.90	1/2	591.60	4/4
CROSS-BORDER Eurotrack 100(26/10/90)	1409.19	1408.12	1409.38	1549.39	31/1	1303.46	21/6
Euro Top-100 (26/6/90)	1236.59	1236.92	1237.74	1381.91	2/2	1143.06	21/6
JCapelDrgns (31/12/88)	(u)	328.45	329.10	395.19	5/1	280.28	21/3
Barings Emerg.(7/1/92)	173.61	172.66	172.65	192.72	14/2	141.65	21/4

** Sat Aug 6: Taiwan Weighted Price 6940.82; Korea Comp Ex 932.7 . Base values of all indices are 100 except Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 20 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Aug 8 - 2182.32 -6.49

■ CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Aug	2109.0	2177.0	-2.0	2188.0	2099.0	-	24,891
Sep	2117.5	2124.5	-2.0	2122.0	2108.5	1,087	7,870
Dec	2148.0	2153.0	-2.0	2151.0	2142.0	121	4,199

Open interest figures for previous day.

US INDICES

Dow Jones	Aug 5	Aug 4	Aug 3	1994 High	1994 Low	Since compilation High	Since compilation Low
Industrials	3747.02	3765.79	3792.66	3978.36 (31/1)	3593.35 (4/4)	3978.36 (31/1/94)	41.22 (2/7/32)
Home Bonds	98.07	98.26	98.22	105.81 (21/1)	96.43 (13/5)	108.77 (18/10/93)	54.99 (1/10/81)
Transport	1596.23	1604.28	1612.33	1862.29 (2/2)	1546.02 (20/4)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	189.43	191.34	192.00	227.06 (3/1)	176.71 (24/6)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3769.66 (3807.23) Low 3725.00 (3752.52) (Theoretical♣)
Day's high 3765.79 (3790.72) Low 3742.16 (3765.79) (Actual♣)

Standard and Poors	Aug 5	Aug 4	Aug 3	1994 High	1994 Low	Since compilation High	Since compilation Low
Composite ‡	457.09	458.40	461.45	482.00 (2/2)	438.92 (4/4)	534.18 (28/7/94)	4.40 (1/6/32)
Industrials♥	532.18	533.36	537.31	580.59 (2/2)	510.05 (21/4)	580.59 (2/2/94)	3.62 (21/6/32)
Financial	44.89	45.08	45.27	46.84 (14/6)	41.39 (4/4)	48.49 (28/9/93)	8.64 (1/10/74)
NYSE Comp.	252.50	253.27	254.58	267.71 (2/2)	243.14 (4/4)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	440.34	441.35	440.59	487.89 (2/2)	422.67 (28/6)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	718.67	720.18	723.65	803.93 (18/3)	693.79 (24/6)	803.93 (18/3/94)	54.87 (31/10/72)

■ RATIOS

	Aug 5	Jul 29	Jul 22	Year ago
Dow Jones Ind. Div. Yield	2.72	2.72	2.74	2.87
	Aug 3	Jul 27	Jul 20	Year ago
S & P Ind. Div. yield	2.42	2.45	2.46	2.59
S & P Ind. P/E ratio	23.55	23.13	23.07	25.06

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Sep	457.35	457.85	+0.35	457.95	457.00	56,117	195,724
Dec	-	459.60	-0.90	-	-	1,846	16,385
Mar	-	463.10	-0.90	-	-	59	2,859

Open interest figures are for previous day.

■ NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
Telefonos	3,701,000	63	+¾
Gen Motors	3,455,900	50¼	-⅛
Compaq Com	3,325,800	33⅞	+1¼
Amer Cyan	2,893,900	90½	+¼
RJR Nabisco	2,881,400	6¼	+⅛
Standong	2,782,800	14	-¼
Chrysler	2,765,000	45⅞	+⅛
Lowes Cos	2,749,100	30¼	-2⅞
Ford Motor	2,689,100	29¾	+¾
McDonalds	2,323,300	28⅞	+¼

■ TRADING ACTIVITY

● Volume (million)

	Aug 5	Aug 4	Aug 3
New York SE	230.298	269.141	282.369
Amex	12.753	15.826	14.674
NASDAQ	210.125	246.630	258.090
NYSE			
Issues Traded	2,837	2,832	2,828
Rises	782	904	1,114
Falls	1,329	1,197	980
Unchanged	726	731	732
New Highs	27	43	62
New Lows	50	28	27

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♣ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

4 pm close August 8

1994 High	Low	Stock	Div	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Chg'e Prev. Close
17⅜	13⅛	AAR	0.48	3.4	470	55	14¼	14	14⅛	+⅛
16⅞	12⅝	A L Labs A	0.18	1.3	31	35	13⅝	13½	13½	+⅛
75¼	57⅝	AMP x	1.68	2.3	26	890	74⅝	73⅞	74	-½
72¼	52⅛	AMR			99	3893	57¾	56⅞	56½	-¼
5	3⅜	ARX			13	25	4	3⅞	4	
58⅛	38⅝	ASA	2.00	4.4	30	112	45½	45¼	45½	+⅛
31⅞	25⅛	AbbtL	0.76	2.8	16	8128	27¾	27	27⅛	-⅜
13¾	11⅞	Abitibi Pr	0.50	3.7	9	446	13½	13¼	13½	+⅜
23⅝	17¾	ABM Inc	0.52	2.4		35	22⅛	21¾	22⅛	+⅛
13⅞	11⅛	Acpimcein			25	779	u14⅛	13¾	13⅞	+¼
31	22¾	ACE Ltd	0.44	1.9	3	564	23½	23⅜	23⅜	-⅛
13½	10⅛	ACM Gvt In x	1.09	10.2		576	10¾	10½	10¾	+¼
10⅛	7⅞	ACM GvOpp x	0.80	9.8		44	8⅜	8⅛	8⅛	-⅛
10⅝	7¾	ACM Gvt Sp x	0.96	12.0		143	8	7⅞	8	
12	9	ACM Gvt Se x	1.09	12.0		301	9⅛	d9	9⅛	
11¾	8⅝	ACM Man x	1.08	12.5		192	8¾	8⅝	8⅝	
9¼	8	ACM Mgd x	0.72	9.0		63	8⅛	d8	8	-⅛
15½	8¾	AcmeCly x	0.44	3.8	14	133	12	11⅝	11⅝	
9⅝	6½	Acme Elect			6	180	u9⅝	9⅛	9¼	-⅛
28¾	23	Acordia	0.60	2.3	12	4	25⅝	25½	25⅝	+¼
10½	5¾	Actava	0.36	3.5	3	570	u10½	10⅛	10⅜	+¼
15⅝	11¼	Acuson			98	139	12¾	12⅝	12¾	+¼
18⅜	16½	Adams Expr	0.48	2.8	0	49	17⅜	17¼	17¼	
64	46½	Ad Micro	3.00	5.4		120	55¾	55⅝	55¾	
31¼	18¾	AdvMic	3.00	11.1	11	3458	27¾	26¼	27⅛	+½

Continued on next page

4 pm close August 8

NYSE COMPOSITE PRICES

1994 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng. Prev. Close
Continued from previous page										
30¼	25	StJosLtP x	1.80	6.7	13	5	26⅞	26¾	26⅞	+⅛
45	37¾	StPaul	1.60	3.6	4	1281	42½	42	42⅛	
9⅞	5	Salant Crp			6	16	5⅝	5¼	5⅝	
46⅞	34⅛	Sallie Mae	1.40	4.1	7	5563	34⅝	d34⅛	34⅛	
13⅞	11⅞	Salomon Br x	0.32	2.6		63	12⅝	12½	12½	-⅛
52¾	42½	Salomn	0.64	1.5	5	2305	43¾	42¾	42¾	-¾
25	17½	SnDgGE	1.52	7.5	10	313	20½	20¼	20¼	-⅛
10	7½	SantaFeERs	0.16	1.7	9	817	9¾	9½	9½	
15¾	13½	SFeGd				1269	14⅝	14⅛	14¼	-⅛
40	31½	SantaFePac x	2.80	8.1	16	71	35½	34⅝	34¾	-1
26¼	18½	SanFeP	0.10	0.5	11	4806	20	19⅝	20	+⅛
26	19⅞	SaraLee	0.64	3.1	14	3716	21⅛	20½	20⅞	+¼
50⅛	42⅛	Scana Corp	2.82	6.2	12	202	45⅝	45⅜	45⅝	+⅛
20½	12½	Scecrp	1.00	7.3	9	3397	14	13⅝	13⅝	-⅛
40½	31¾	SchererRP			27	404	36⅝	36⅛	36⅛	-¼
69⅞	54½	SchrPl x	2.04	3.1	15	3144	66¾	65⅝	65⅞	+⅛
63	50¾	Schlmb x	1.20	2.0	24	3491	59⅛	58½	58¾	-¼
33⅞	23¾	Schwab(C) x	0.28	1.1	12	1359	26½	25⅞	26½	+⅝
10¾	8⅛	Schwitzer			26	45	9½	9⅜	9⅜	-⅛
39⅛	24⅞	SciAtl	0.12	0.3	77	6837	u39⅝	38¼	38⅞	-⅛
16⅞	13	Scotsman	0.10	0.7	13	15	14½	14½	14½	
61¼	37¼	ScottP	0.80	1.3	16	2708	60	59⅝	60	-¼
28⅝	18⅝	ScuddrNAsF	0.21	0.9		92	24	23½	23¾	+⅛
12⅝	9½	ScuddrNEuF	0.16	1.5		31	10½	10⅜	10⅜	
18¼	13½	SeaCnB x	0.70	4.2	6	8	16½	16⅜	16½	-⅛
18½	14⅞	SeaC1.4625	1.46	9.2		22	15⅞	15	15⅞	+⅞
32	26¼	Seagrm	0.56	1.8	39	1864	30⅝	30¼	30⅝	+⅛
29¾	23	Seagull En	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

- S -

- T -

- U -

- V -

- W -

- X - Y - Z -

Price data supplied by Telekurs

AMEX COMPOSITE PRICES

4 pm close August 8

NASDAQ NATIONAL MARKET

4 pm close August 8

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

- S -

- T -

- U -

- V -

- W -

- X - Y - Z -

AMERICA

Bond yields offer modest boost to Dow

Wall Street

US share prices edged higher yesterday morning in quiet trading as a drop in bond yields provided a modest boost to stock market sentiment, *writes Patrick Harverson in New York.*

By 1 pm, the Dow Jones Industrial Average was up 6.47 at 3,753.49. The more broadly based Standard & Poor's 500 was also slightly firmer, up 0.54 at 457.63, while the American Stock Exchange composite was 1.12 higher at 441.46 and the Nasdaq composite 1.04 ahead at 719.71. Trading volume on the NYSE was light at 124m shares by 1 pm.

After last week's late sell-off, which was prompted by a surge in bond yields, trading was expected to be sudued yesterday. Bond yields had risen on Friday because a stronger than expected July jobs report had raised fears that the Federal Reserve would tighten interest rates again to slow down the economy.

When bond yields opened lower in the morning, it provided a lift to share prices. A slight firming in the dollar also supported stocks early on but trading activity remained light, with many investors and dealers choosing to stay on the sidelines until later in the week, when July inflation figures are due to be released.

Among individual stocks, leading issues were mostly firmer, although gains were kept to a minimum. General Motors was up $¼ at $50½, IBM $½ higher at $62¾, Merck up $⅞ at $30¾ and Procter & Gamble $⅜ higher at $54⅛.

North American Mortgage forged ahead $2¾ to $30¼ in heavy trading after the mortgage banking company revealed that it had asked Morgan Stanley to advise on strategic alternatives to enhance shareholder value.

Molecular Biosystems jumped $2¾ to $12½ after the US Food and Drug Administration gave final approval for Albunex, the company's flagship product, which is used as a contrast-imaging agent.

Canada

Toronto stocks were mixed in quiet midday trading.

Gains in conglomerates and industrial products were offset by losses in real estate and transportation.

The TSE 300 composite index edged 0.05 higher to 4,168.59 in volume of 23.7m shares valued at C$306.2m. Declines outpaced advances by 285 to 232, with 290 stocks unchanged.

Venezuela

Equities in Caracas showed little reaction to reports that a further crisis in the financial sector could be developing following the suspension from trading of four of the country's banks.

The Merinvest composite index closed the session down 1.24, or 1 per cent, at 124.58.

The stock exchange authorities later lifted the suspension from two of the banks. Mr Julio Sosa Rodriguez, the country's finance minister, denied that there was a problem in the banking sector, but added that there could be changes to the boards of directors in some of the banks.

Among major stocks, Electricidad de Caracas was down 5 bolivars at 300 bolivars.

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1994	Start of 1994	Start of 1994
Austria	+3.46	+3.81	+8.31	-5.34	-0.62	+3.55
Belgium	+1.44	+5.74	+8.38	-2.36	+4.06	+8.42
Denmark	+0.44	+5.85	+16.52	+1.24	+6.13	+10.59
Finland	+1.22	+7.61	+38.48	+18.83	+26.89	+32.20
France	+1.62	+9.29	+3.00	-6.21	-1.82	+2.30
Germany	+1.65	+5.62	+14.19	-5.09	-0.03	+4.16
Ireland	+4.21	+10.23	+15.01	+3.49	+7.40	+11.90
Italy	-0.75	+3.43	+17.11	+15.19	+19.92	+24.95
Netherlands	+2.04	+7.12	+15.78	-1.82	+2.97	+7.29
Norway	+0.21	+10.24	+21.39	+7.12	+11.85	+16.54
Spain	+2.40	+10.39	+14.73	-2.56	+2.81	+7.12
Sweden	+1.36	+10.50	+18.00	+5.55	+9.07	+13.65
Switzerland	+1.09	+1.56	+8.51	-10.40	-4.32	-0.31
UK	+2.70	+7.02	+7.77	-6.67	-6.68	-2.77
EUROPE	+1.88	+6.62	+10.12	-4.36	-1.30	+2.84
Australia	+1.79	+7.19	+13.80	-2.59	+2.12	+6.40
Hong Kong	+1.09	+13.46	+33.55	-20.35	-23.54	-20.34
Japan	+0.77	-0.58	-0.48	+13.38	+20.86	+25.93
Malaysia	+6.66	+13.17	+45.77	-15.00	-14.63	-11.05
New Zealand	+5.30	+9.52	+14.53	-1.32	+2.31	+6.60
Singapore	+2.95	+8.80	+27.36	-8.91	-6.65	-2.73
Canada	+0.29	+2.65	+9.88	-1.43	-9.67	-5.88
USA	-0.23	+1.90	+1.88	-1.64	-5.59	-1.64
Mexico	+5.09	+10.50	+44.78	-0.32	-11.98	-8.29
South Africa	+1.71	+6.13	+43.17	+17.46	+8.29	+10.74
WORLD INDEX	+0.87	+2.91	+4.96	+1.09	+1.93	+6.21

† Based on August 5th 1994.

European bourses showed particular strength last week, with Italy being the only exception to the positive tone as further political and personal problems confronted the administration of Mr Silvio Berlusconi.

Asia's markets were also ebullient, with Malaysia recording the best performance last week in local currency terms, although looking at the year as a whole it still remains one of the worst performers in dollar terms: off 11 per cent since last December 31.

Ireland led Europe's gainers last week, with the rise explained mainly by the 16 per cent advance in the share price of Jefferson Smurfit, the packaging group, on mid-week news that it was acquiring the paper and packaging unit of Saint-Gobain, the French glass and building materials company. The market received further encouragement from AIB, up nearly 3 per cent after reporting interim results slightly ahead of expectations.

According to Davy's, the Dublin-based broker, the overall market valuation now stands at 12.1 times 1994 earnings estimates, and 10.3 times those for 1995. Given the growth in the domestic economy, Davy's expects the market to rally further in the coming months.

EUROPE

Overseas buying, New York gains lift bourses

A healthier start in New York gave late-closing bourses a lift, and overseas buying also seemed to improve matters, *writes Our Markets Staff.*

FRANKFURT's winners and losers mostly reflected foreign investment interest as the broad market ended mixed in thin trading. The Dax index closed 0.09 down at 2,184.07, easing to 2,182.32 at the end of the afternoon.

Turnover reverted to hiatus mode, DM4.7bn compared with the levels of around DM8bn seen at the peak of the bourse's excitement in the middle of last week. Daimler topped the active list, way ahead of the pack as it turned over DM1bn on its own and the shares rose another DM5 to DM840.

Yesterday's other main theme was mobile telephone prospects, said Mr Eckhard Frahm at Merck Finck in Düsseldorf. The companies involved, Veba, Thyssen and Mannesmann, all made the top 10 turnover list as they rose DM5.60 to DM533.80, DM5 to DM315 and DM0.70 to DM450.20 respectively.

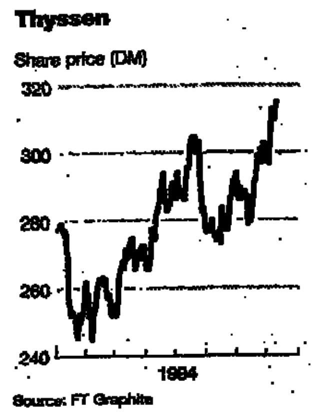
Dealers associated the interest in Veba with the company's plans to link its Swiss cable operations with those of the Swiss cable television company Cablecom; forecasts for its first-half profits, due for release on Thursday, were also supporting the stock. Bayernverein reckoned that group net profits could rise by a third to DM420m.

Thyssen, meanwhile, was supported by foreign buying. In an unrelated move, Degussa, the chemicals to gold refining group, advanced DM6.50 to DM507 after the company said it would announce its nine months' results today.

AMSTERDAM was encouraged by anticipation of good results expected this week from major international companies such as Polygram, Philips, Royal Dutch, KLM and Reed Elsevier. The AEX index rose 1.69 to 421.36.

Philips, which climbed 60 cents to Fl 56.40, compared with a Fl 1.40 loss to Fl 81.20 for its Polygram subsidiary, was rated a strong buy by Hoare Govett. The broker noted that the group had been a beneficiary of the higher dollar, an improvement in the US economy, and growth in sales. By contrast, it rated Polygram as a "hold", believing that good results had already been discounted.

The day's strongest performances came from Reed Elsevier, which advanced Fl 3.30 to Fl 173.10, and Unilever, up Fl 4.10 to Fl 200.10, the latter due to report its second-quarter results at the end of the week.



Source: FT Graphite

PARIS could find little incentive to act as turnover shrank to under FFr2bn and the CAC-40 index drifted down a marginal 0.73 to 2,106.34.

Corporate news was also very limited, although Carrefour, the supermarket chain, managed a further rise of FFr14 to FFr2,096 on Friday's news of a gain in July sales.

There was little reaction to Elf Aquitaine's gain of just under 3 per cent in first-half sales, the shares adding 40 centimes at FFr423.40.

FT-SE Actuaries Share Indices

Aug 8						THE EUROPEAN SERIES		
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1404.64	1405.07	1405.96	1406.13	1406.54	1408.53	1409.24	1408.19
FT-SE Eurotrack 200	1446.69	1449.51	1447.77	1448.77	1449.18	1450.08	1450.06	1450.01

	Aug 5	Aug 4	Aug 3	Aug 2	Aug 1
FT-SE Eurotrack 100	1406.12	1409.38	1415.07	1416.02	1390.30
FT-SE Eurotrack 200	1448.96	1446.61	1452.21	1450.53	1421.84

Base 1000 (26/10/90): High/day: 100 - 1409.87; 200 - 1451.31 Low/day: 100 - 1404.52 200 - 1447.59

MILAN was subdued by the onset of the holiday season as the Comit index fell 8.21 to 695.75.

Actinvest, the independent research group, noted yesterday that the major factor on the market's short term direction remained the uncertainty which continued to surround the government, together with real possibility that an early election could be called.

However, it took the view that the political situation was unlikely to deteriorate in the next few weeks – partly as a consequence of this being the holiday season, but also due to the fact that there was currently "the lack of a political alternative to Berlusconi". This present calm would change in September, it added, with the presentation of the 1995 budget, which was likely to draw attention away from the half-year reporting season.

Among share movements, Generali, the insurance group, shed L150 to L41,450 and Fiat added L20 at L6,810.

ZURICH picked up after a sluggish start, and extended some of Friday's individual share price trends. Foreign buying was reported, leaving the SMI index 16.7 higher at 2,617.5.

Foreign interest, too, was said to be behind the SFr100 rise to SFr5,700 in the certificates of Roche, the pharmaceuticals company, following gains on Friday on similar considerations. Nestlé went along for the ride, closing SFr14 ahead at SFr1,192.

UBS, weakened by aspects of last Friday's results, lost a further SFr10 at SFr1,140, recovering from an intraday low of SFr1,131.

MADRID overcame late profit-taking to close with the general index 1.48 lower at 323.48. Turnover, inflated by technical factors, was Pta38.6bn.

There was sector and individual stock selection. Construction shares continued their recent run of strength with a rise of 2.1 per cent, Bankinter outperformed the banking sector with a Pta100 gain to Pta12,440 and Acerinox, in stainless steel and a recent cyclical play, rose another Pta500 to Pta14,990.

STOCKHOLM made a solid gain, although turnover was reported as being below average. The Affärsvärlden general index added 8.1 at 1,493.5.

Esab B shares moved up SKr5 to SKr355, a year's high, as the welding equipment manufacturer reported a bigger than expected rise in six-month profits.

TEL AVIV reinstated Sunday's sharp technical decline, boosted by historic moves toward peace with Jordan. The Mishtanim index rallied 4.88, or 2.6 per cent, to 190.26 after a fall of 4.50, or 2.4 per cent, a day earlier. Yesterday's gains followed Mr Yitzhak Rabin's visit to Jordan, the first public visit by an Israeli prime minister, and his meeting with Jordan's King Hussein.

Written and edited by William Cochrane and John Pitt

ASIA PACIFIC

Nikkei edges ahead as Chinese issues move higher

Tokyo

Buying by overseas and corporate investors supported share prices in the afternoon, and the Nikkei 225 average gained ground in low volume, *writes Emiko Terazono in Tokyo.*

The index was up 114.13 at 20,635.83 after a day's low of 20,502.20 and high of 20,638.93. Low-priced steels and chemicals moved ahead on buying by foreigners, while telecommunication-linked stocks and issues related to the "Aids theme" strengthened on demand from individuals and corporate investors.

Volume totalled 227.3m shares, against 266m. Many domestic investors remained inactive ahead of the Obon holidays next week, while others were cautious of stock and bond fluctuations in the US.

Analysts expect domestic institutions to remain on the sidelines at current levels of the Nikkei 225. James Capel said that while Japanese institutions believe that the economy may have bottomed out, they still regard the chances of a "triple dip" as significant.

The Topix index of all first section stocks put on 7.04 at 1,656.78 and the Nikkei 300 edged up 1.50 to 300.94. Rises led falls by 523 to 439, with 203 issues unchanged. In London the ISE/Nikkei 50 index was 4.70 firmer at 1,347.15.

Nippon Steel, the day's most active issue, rose Y6 to Y369 and NKK gained Y5 at Y284. Chemicals, beneficiaries of a rise in industrial output, were also higher, Showa Denko adding Y5 at Y361 and Mitsubishi Gas Chemical Y11 at Y538.

Canon, the precision products group, moved up Y30 to Y1,760 on reports that the company will see an 80 per cent jump in pre-tax profits for the current business year.

With the International Aids Conference being held in Yokohama until Thursday, Ajinomoto, the food maker, advanced Y60 to Y1,360 on the "Aids theme". Drug shares were also higher, Green Cross firming Y30 to Y1,170 and Dainippon Pharmaceutical Y20 to Y1,170.

Telecommunication stocks were popular, led by a rise in DDI, the long-distance telecoms operator listed on the second section. The issue rose Y39,000 to a year's high of Y1.03m. Kyocera, DDI's leading shareholder, put on Y110 at Y7,430. Nippon Telegraph and Telephone, however, dipped Y3,000 to Y851,000.

In Osaka, the OSE average added 66.07 at 22,988.74 in volume of 40m shares. Winners here included export-related stocks, and beneficiaries of rising domestic consumption.

Roundup

Taipei was closed due to a typhoon, losing an opportunity to respond to events in other Chinese or China-influenced equity markets.

SHANGHAI continued to assert itself as Hong Kong's H share index opened, the Shanghai B share index climbing by 6.1 per cent. The index rose 4.55 to 78.95, aided by overseas interest following the spectacular gains last week – adding up to 108 per cent in five days – in the A share market for local investors. Yesterday, the A share index gained a further 4.1 per cent.

Brokers also credited recent economic data for the surge in foreign investor interest in China, citing a drop in companies' accounts receivable and new credits for state enterprises.

HONG KONG had a mixed day. The Hang Seng index of blue chip domestic stocks lost 64.34 at 9,537.87 on profit-taking by overseas investors and fears of higher US interest rates; but Chinese companies firmed on interest sparked by the debut of the new H shares index, which ended at 1,323.71, up 26.44 or 2 per cent.

Turnover was a preliminary HK$3.21bn, against an adjusted HK$3.93bn on Friday. Overseas institutions were said to be cautious on the interest rate outlook, and most investors to be waiting for Hongkong and Shanghai Banking's interim results due next Monday.

The novelty value of the new index helped to lift H shares. Speculation that it paved the way for fresh trading opportunities, such as derivatives, also prompted buying interest.

SEOUL ended sharply lower after a price plunge in the market's pacesetters Posco and Korea Mobile Telecom triggered a round of selling in late trading. Posco shed Won600 to Won77,900 and KMT Won1,000 to Won378,000.

The composite index lost 12.41, or 1.33 per cent, at 919.76. Volume hit a new 1994 low of 16.56m shares. However, Mr W. Lee of Jardine Fleming said: "The market seems to be approaching a bottom. From the middle of this week, the index will show a gradual recovery."

SYDNEY closed lower, with interest stilled by sharply weaker bonds and the fall on Wall Street on Friday. The All Ordinaries index shed 10.8 to 2,081.1.

BHP fell 12 cents to A$19.48, News Corp 4 cents to A$8.91 and CRA 6 cents to A$19. Delta Gold slipped 8 cents to A$2.95 and Highlands Gold declined 5 cents to A$1.46.

WELLINGTON finished softer, although above the day's worst levels, which were triggered by Wall Street's decline on Friday. The NZSE-40 capital index dipped 4.64 to 2,106.62 in moderate volume. A reasonable performance by the Australian market helped local sentiment after an earlier fall of almost 20 points.

Cart Holt Harvey led the recovery, closing 4 cents up at NZ$3.96.

SINGAPORE was slightly easier after profit-taking ahead of the National Day holiday today. Analysts expected the market to be influenced by Wall Street, rather than domestic factors, as the Straits Times Industrial index closed 5.47 points off at 2,267.65 in volume of 217.8m shares. Creative Technology dropped S$2.90 to S$28.50 on disappointing fourth-quarter results.

KUALA LUMPUR closed 12.81, or 1.2 per cent, down at 1,076.34 in volume of 355m shares, ending a two-week climb in the benchmark index. Analysts suggested that investors booked profits as foreign funds took a breather.

MANILA edged forward as second-line issues took the limelight and blue chips consolidated. The composite index added 0.64 at 2,884.03.

S African industrials improve

Industrials extended Friday's good gains, while gold shares climbed off earlier lows as hopes remained that the bullion price would maintain its current firmness.

The overall index advanced 30 to 5,758, the industrials index added 46 at 6,757 and golds lost 8 on balance at 2,103 after touching 2,095.

Traders said that selected stocks had led the market higher, with Sasol building on Friday's R1.90 gain with a rise of 75 cents to R32, a high for the year.

Among the mining sector, De Beers appreciated 25 cents to R117.75, Anglos moved ahead R2 to R253 and Vaal Reefs relinquished R8 to R399.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY AUGUST 5 1994 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	THURSDAY AUGUST 4 1994 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (68)	177.55	1.3	170.76	112.78	146.05	159.28	0.4	3.46	175.25	168.60	111.00	144.05	158.58	189.15	139.24	144.84
Austria (17)	191.55	0.3	184.22	121.67	157.56	157.64	0.6	1.01	190.95	183.93	120.95	156.95	156.65	196.41	163.24	163.24
Belgium (37)	176.34	0.0	169.60	112.01	145.05	141.59	0.1	3.90	176.40	169.91	111.72	144.99	141.51	176.67	143.62	146.14
Canada (105)	127.80	-0.8	122.91	81.17	105.12	126.33	-0.8	2.64	128.88	124.14	81.63	105.93	129.41	145.31	120.54	125.03
Denmark (33)	273.37	-0.6	262.91	173.64	224.86	231.29	-0.6	1.28	275.04	264.92	174.20	226.06	232.65	276.79	211.26	215.26
Finland (24)	162.87	-0.8	156.64	103.45	133.97	177.93	-0.9	0.79	164.23	158.19	104.02	134.99	179.48	164.23	104.28	105.65
France (97)	180.00	0.4	173.12	114.33	148.06	152.86	0.5	2.88	179.29	172.70	113.56	147.37	152.10	185.37	156.87	156.87
Germany (58)	146.08	-0.2	140.50	92.79	120.16	120.16	-0.1	1.72	146.40	141.01	92.72	120.33	120.33	147.24	117.92	117.92
Hong Kong (56)	389.80	-0.4	374.89	247.59	320.64	386.65	-0.4	3.14	391.45	377.07	247.94	321.76	388.27	506.56	288.76	290.82
Ireland (14)	207.25	0.2	199.33	131.64	170.48	191.68	-0.1	3.23	206.86	199.27	131.03	170.05	191.95	209.33	161.54	165.80
Italy (61)	85.70	-0.7	82.42	54.44	70.50	101.01	-0.6	1.51	86.27	83.10	54.64	70.91	101.85	97.78	57.88	71.82
Japan (469)	163.87	-0.7	157.60	104.08	134.79	104.08	-0.4	0.74	164.99	158.93	104.50	135.62	104.50	170.10	124.54	158.70
Malaysia (98)	526.15	0.6	506.03	334.20	432.80	521.69	0.8	1.57	523.05	503.82	331.29	429.92	517.30	621.63	361.95	364.54
Mexico (18)	2189.79	-0.1	2106.03	1390.91	1801.24	8082.83	-0.2	1.65	2192.29	2111.66	1388.54	1801.93	8102.84	2647.06	1615.11	1641.59
Netherland (27)	213.62	-0.2	205.45	135.69	175.72	173.28	0.0	3.28	213.98	206.12	135.53	175.88	173.33	214.46	169.90	169.90
New Zealand (14)	72.39	0.7	69.62	45.98	59.55	63.61	0.5	3.76	71.91	69.26	45.54	59.10	63.30	77.59	56.88	57.81
Norway (23)	209.38	-0.1	201.35	132.98	172.21	196.43	-0.1	1.68	209.62	201.92	132.77	172.30	196.55	211.74	161.00	161.00
Singapore (44)	357.49	-0.2	343.82	227.07	294.07	248.22	-0.3	1.70	358.28	345.09	226.91	294.47	248.88	378.92	261.85	262.11
South Africa (59)	295.85	0.5	284.53	187.92	243.35	294.22	0.8	2.11	294.35	283.53	186.44	241.94	291.77	295.85	175.93	204.61
Spain (42)	149.27	0.5	143.56	94.82	122.79	147.01	0.5	3.92	148.54	143.08	94.08	122.09	146.34	156.79	119.38	121.04
Sweden (36)	223.17	-1.2	214.63	141.75	183.57	255.77	-1.0	1.56	225.86	217.55	143.05	185.65	258.46	231.35	175.83	182.28
Switzerland (47)	159.66	-0.4	153.54	101.41	131.32	132.11	-0.3	1.84	160.30	154.41	101.53	131.76	132.57	178.58	127.57	129.92
United Kingdom (204)	199.38	0.7	191.76	126.65	164.01	191.78	0.6	3.96	197.99	190.71	125.40	162.74	190.71	214.96	178.95	178.95
USA (519)	186.80	-0.3	179.66	118.65	153.66	186.80	-0.3	2.89	187.36	180.47	118.67	154.00	187.36	196.04	178.95	183.35
EUROPE (720)	174.39	0.2	167.72	110.77	143.44	157.87	0.1	2.94	174.11	167.70	110.27	143.10	157.63	178.58	148.45	148.45
Nordic (116)	219.28	-0.9	210.89	139.28	180.37	215.03	-0.8	1.38	221.32	213.18	140.18	181.91	216.84	222.03	171.15	171.15
Pacific Basin (743)	172.84	-0.5	166.23	109.79	142.18	114.58	-0.3	1.05	173.75	167.37	110.05	142.82	114.95	178.86	134.79	162.17
Euro-Pacific (1463)	173.36	-0.2	166.73	110.12	142.60	131.81	-0.1	1.65	173.77	167.39	110.06	142.83	131.97	173.89	143.88	158.42
North America (624)	183.14	-0.3	176.14	116.33	150.65	182.79	-0.3	2.87	183.73	176.97	116.37	151.01	183.37	192.73	175.67	179.74
Europe Ex. UK (516)	157.01	-0.2	151.01	99.73	129.15	137.45	-0.1	2.36	157.26	151.47	99.60	129.25	137.66	158.12	129.31	129.31
Pacific Ex. Japan (280)	260.68	0.3	250.72	165.58	214.44	232.47	0.1	2.77	259.82	250.27	164.57	213.56	232.16	296.21	196.30	196.70
World Ex. US (1651)	174.55	-0.2	167.87	110.87	143.58	135.29	-0.1	1.67	174.96	168.52	110.81	143.80	135.46	175.01	145.58	156.77
World Ex. UK (1966)	175.47	-0.4	168.76	111.46	144.34	147.49	-0.3	2.04	176.10	169.63	111.54	144.75	147.87	176.51	155.86	163.24
World Ex. So. Af. (2111)	176.85	-0.3	170.09	112.33	145.47	150.41	-0.2	2.23	177.32	170.80	112.31	145.75	150.70	178.56	158.54	164.48
World Ex. Japan (1701)	187.04	-0.1	179.89	118.81	153.86	176.96	-0.1	2.87	187.19	180.29	118.55	153.85	179.12	195.20	169.89	169.89
The World Index (2170)	177.59	-0.3	170.79	112.80	146.08	151.48	-0.2	2.22	178.04	171.50	112.77	146.34	151.75	178.97	158.85	164.85

Latest prices were unavailable for this edition.